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Page 6

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Indict

Noriega

On Drug Trade

perhaps within a few days.

The prosecution's case against

General Noriega is expected to be

strengthened significantly by the

testimony of José I. Blandon, who

served as chief political adviser to General Noriega when the general headed military intelligence. Mr. Blandon testified before the grand

Justice Department officials and

Mr. Blandón, who was recently

Mr. Blandón's lawyers declined to

jury in Miami on Thursday.

comment on the case.

By Elaine Sciolino

New York Times Service

ESTABLISHED 1887

No. 32,636

PARIS, SATURDAY-SUNDAY, JANUARY 30-31, 1988

drew Lloyd Webber's Lords
Phantom of the Oper
ed in New York to Sende
reviews after setting a line
record of \$18 million in a
reales The New York

WEST BANK PROTEST — Palestinians burned tires and threw stones in Nablus on Friday. Israel, meanwhile, eased

restrictions in the occupied territories and punished some soldiers for excessive beating during Arab protests. Page 5.

Memo to Meese Reportedly Cited Payoff

Los Angeles Times Service WASHINGTON - The inde-

focusing on a memorandum to Mr. Mr. Meese. Meese from a longtime friend that is said to have cited a plan to bribe recause Cesar wishes to be miliar with the inquiry.

By Celestine Bohlen

a soldier in Afghanistan when he

realized that his war was different

from the one his family was hearing

The story he tells is about a bat-

tle in Kandagara in 1984, when the war was not even called a war, when Soviets bearing arms in Af-

ghanistan were not fighting but

Kiosk

Italy Coalition

Wins 2 Votes

ROME (Renters) — The Italian government Friday

won two votes of confidence

that it had demanded as the

only way to overcome opposi-

"Côte d'Azin," a statuette

by Lalique for the inauguration of a train in 1929, was

part of a Paris sale. Source

Melikian reports. Page 6.

George Bush's version of his

role in the Iran affair conflicts

New high-tech export guide-lines appear to please both the

U.S. and its allies. Page 2.

The Dollar

DM 1,6815

Pound 1.768

Yen 128.05

FF 5.6665

General News

with the record.

Dow Close

Up

bout back in western Siberia.

MOSCOW - Valeri Burkov was

from bribing foreign officials.

from E. Robert Wallach, a San and said it had become the primary pendent counsel investigating Artiome E. Robert Wallach, a San torney General Edwin Meese 3d is Francisco attorney and friend of It was not clear whether Mr.

cording to government officials ia-miliar with the inquiry. scandal involving government con-tracts to the Wedtech Corp., violat-

reported payoff plan, the officials investigation by the independent said. The Foreign Cornupt Prac-comsel, James C. McKay, de-

Going Home for Soviet Vets

Afghan Returnees Resent Distortions in Official Media

veteran who walks on artificial

saw and what the Soviet people

were told as one of the casualties of

the Kandagara region by Afghan forces who eliminated 600 of the

enemy, captured a cache of arms,

"I listened and I thought, Some-

thing is wrong here.' Yes, there was

an operation; yes, there were Af-

ghans. But to put it bluntly, there

"I heard on Soviet radio how an

the eight-year conflict.

tices Act prohibits U.S. citizens scribed the Wallach memorandum as the most serious allegation The 1985 memorandum was raised against Mr. Meese thus far focus of investigators.

The White House spokesman, Marlin Fitzwater, said Friday that s said to have cited a plan to bribe Meese or Mr. Wallach, who is un-high-ranking Israeli official, ac-ording to government officials fa-

Mr. Meese's lawyers issued a The purported payoff plan was ed any laws in connection with the an effort to try to head off Israeli payoff plan. Nor was it known interference in a \$1 billion Iraqi whether any payment to an Israeli the statement said the subjects of pipeline project, the officials said.

Mr. Meese is said to have done copted.

But officials familiar with the independent in classified."

["It is irresponsible to publish

vance.' They did not go themselves

The Kandagara case was far from unique, according to Mr. Bur-

kov and two other veterans who

reporters in the editorial offices of

our press distorts reality. It under-mines faith, faith in what is said

and what is written," concluded

Mr. Burkov, an air force navigator.

understood by many people back

As a result of the long blackout

"It was not pleasant to hear how

the weekly Ogonyok.

Officials of Bechtel Group, the auge San Francisco construction company that was bidding to build the Iraqi pipeline, Szid last fall that Mr. Wallach was a U.S. representative of Bruce Rappaport, a Swiss Bechtel in the project.

It is not publicly known whether Mr. Wallach had any financial stake in the pipeline, which was never built. Mr. Wallach has apparently told U.S. officials that he supported the pipeline as a means of

See MEESE, Page 5

the statement said. Mr. dismissed by General Noriega as Meese's lawyers were not available Panama's consul general in New to provide details.] York, said in an interview this week Yossi Gal, a spokesman for the Israeli Embassy in Washington, afthat unless the general removed himself from politics, he would disclose what he knew about the genmissed the purported document as eral's involvement in drugs and arms smuggling, money laundering and the murder of an opposition

ter checking with superiors, dis-"a wild fantasy that is not even worthy of comment." Mr. Wallach's attorney, George

they involve the delicate subject of

foreign relations and impugn the

integrity of respected foreign lead-

On Thursday, a convicted U.S. drug smuggler told Senate investigators that he gave "millions of dollars" in cash and kickbacks to Walker, who is preparing Mr. Wallach's defense in the fraud conspiracy for which he has been indicted in New York, said, "I have absolutely no comment." General Noriega for his help in

drug deals and laundering money. bearing, the American smuggler, Supplen M. Kalish, testified under eath that, after presenting General Noriega with a briefcase containing \$300,000 in cash in September 1983. he "became a full-scale coconspirator in my drug operation."

Mr. Kalish, who is serving an eight-year sentence on an earlier conviction and awaiting sentencing in a separate case in Tampa, has agreed to cooperate with the U.S.

See PANAMA, Page 5



Javier Solana, the Spanish government spokesman.

Sofia Slips in Rush To Please Moscow

By Jackson Diehl Washington Post Service

SOFIA -- During the 33 years be has ruled Communist Bulgaria. President Todor Zhivkov has loyaly followed the lead of live successive political chiefs in Moscow, both in sunny weather and in clouds," as he put it Thursday. Never before, however, has Mr.

Zhivkov had a mentor like Mikhail S. Gorbachev.

Over the last several years, the Bulgarian has seemed to do his best to imitate the new policies emanating from Moscow: He has an-In a televised subcommittee nounced crackdowns on corrup-tearing the American smuggler, iton, repeatedly reorganized the Stephen M. Kalish, testified under bureaucracy, launched a "radical restructuring" of the economy and even allowed token touches of glasnost in his tightly controlled media.

The results, however, have been far from comforting for a 76-yearold man who prospered with the Kremlin of Leonid I. Brezhnev.

Mr. Zhivkov's new policies have been condemned both at home and abroad as confusing and incoher-ent. Moves toward decentralization

thousands of bureaucrats have been paralyzed in mid-transfer. Worst of all, Mr. Zhivkov's initiatives have apparently been received with some reservation by the

have caused production break-

downs in puzzled factories. As

wave after wave of reorganization

has alternately abolished and creat-

ed state ministries and councils,

Soviet leadership they were meant In October, the Bulgarian leader

was called to Moscow for talks with

NEWS ANALYSIS

Mr. Gorbachev that Western diplomais interpreted as an exercise of Soviet supervision. In particular, analysts say, Mr. Gorbachev apic character of Mr. Zhivkov's measures as well as his fiery rhetoric about the need to scale back the

role of the Communist Party. As Mr. Zhivkov presided over a two-day party conference that ended Friday to clarify and repackage the new programs, Bulgaria pre-sented a striking example of the limits of the change Mr. Gorbachev is promoting in Eastern Europe and the growing problems that

On one hand, the Soviet promptings and subsequent shifts in policy suggest that Mr. Gorbachev seeks real economic reorganization in the region, but is insistent that the reform be exclusively controlled by the ruling Communist Parties.

even modest reform encounters.

Remarkably, Bulgaria's relative failure to promote more openness in public life or renovate its wizened leadership apparently concerns Moscow less than Mr. Zhivkov's daring suggestions about limiting party authority.

At the same time, the troubles

Mr. Zhivkov has faced in introducing limited economic changes during the course of the last year, including the leadership's own confusion, have shown the staggering task East bloc reformers face in regions that, brought rapidly from agricultural backwardness to industrial development under the centralized Stalinist system, cannot easily adapt to an economy more oriented toward market forces and personal initiative.

"People who have grown up in our economy for 40 years cannot change overnight, and for that reason the reform encounters difficulties in a lot of cadres," the party's chief ideologist, Yordan Yotov, said, stating a theme underlined

repeatedly during the conference.

Added a Western diplomat: "They didn't know where they were headed when they started the reform, and they don't know now.

See BULGARIA, Page 5

Basques Offer To Talk

But Spain Insists On Truce Before Seeing Separatists

MADRID — Basque guerrillas offered for the first time Friday to negotiate a truce in their 20-year war for independence, but the Spanish government said a truce

had to come before any talks. ETA, initials of the Basque words for homeland and liberty, proposed a truce of up to 60 days if the Socialist government resumed talks broken off after a car-bomb attack killed 11 people in the family quarters of a Civil Guard barracks in Zaragoza in December.

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The government spokesman, Javier Solana, said the government was prepared to talk, but only after it is convinced that ETA has the will to end violence.

"We must not be fooled by maneuvers which may be propagan da," he said. "The reality is the

He said the police defused a bomb planted under a policeman's car in Bilbao on Friday, hours after seizing two cars filled with explo-

Mr. Solana, speaking after the weekly cabinet meeting, rejected ETA's request that the talks cover political issues and its assertion that past talks had done so. Political negotiations, categori-

cally, there have not been and there will not be," he said. ETA said in its 3,500-word statement to the Basque newspaper

Egin that talks should lead to an agreement based on its demands. Prime Minister Felipe González has said talks could cover only surrender and individual pardons for

guerrillas. Basque politicians disagreed over whether ETA's offer was a step forward or a trick. Some were quick to suggest that the government could reject talks publicly

and embark on secret contacts. "Even if they say no, they will talk to ETA," said Javier Arzallus, head of the moderate Basque Na-

tionalist Party. more than 600 lives, and progress toward a solution would be a major

success for Mr. González, who is expected to seek a third four-year term in elections due by 1990. Others suggested ETA was under pressure because of French and

Spanish police raids against its guerrillas and could be playing for time in order to reorganize. Interior Ministry officials said

they believed there were no more than 70 active guerrillas left. But ETA said they underestimated its capacity to strike back. Besides the aborted attacks re-ported by Mr. Solana, a gasoline bomb damaged a clothes shop of

the French chain Darmat in Pamplona overnight, apparently in a protest over France's crackdown on ETA members and supporters across the border. ETA said that if the government

agreed on the goal of the talks in a preliminary meeting, it "would observe during a period mutually agreed and not exceeding 60 days a partial truce involving the provisional suspension of executions."

ETA has rejected as insufficient the autonomy statute granted to the Basque region in 1979.

Its statement Friday said a ceasefire would depend on acceptance of ETA demands for Basque sovereignty, a general amnesty and with-drawal of Spanish security forces from the region.

Mr. Solana appeared to reject ETA's request that talks be held under the mediation of Algeria, which has agreed with Spain to give asylum to Basque guerrillas. "We are grateful to Algeria for

its cooperation, but it does not go beyond cooperation," he said. Mr. Solana said he could not say

whether ETA had unanimously agreed to offer a truce. Interior Ministry officials say they believe They have tended to make it up as ETA is divided between hard-liners they go along."

The indisputable leader of this a chance to negotiate before the police get the upper hand.

we were the ones doing the fighting. The Afghans went first, but as soon See VETERANS, Page 2 **Economy Forum Warns** On Currency Instability By Reginald Dale International Herald Tribune

fulfilling their "international as shots were-heard, they turned

hty." back and ran toward us, yelling, Mr. Burkov, now a 30-year-old 'sharavi, shuravi' — 'advance, ad-

limbs, sees the gap between what he because there were too few of

operation had been carried out in recently met with several Western

were only 10 of them, compared to on news of Soviet fighting in Af-

a thousand of us. For the most part, ghanistan, the war is still barely

tion to the 1988 budget. The opposition was led by its own deputies. The five-party coalition led by a Christian Democrat, Gio-

vanni Goria, won the votes on direct and indirect taxes by 353-180 and by 350-162. Four DAVOS, Switzerland - Govsmall opposition parties boy-corted both votes. Two other erament and business leaders expressed widespread concern over currency instability and the new confidence votes on revenuestrains facing the world economy at raising measures were post-poned until Monday. the opening Friday of a major in-ternational business conference

> While many participants agreed that the process of righting the world's economic imbalances was dready under way, they warned that it could be seriously threatened by a new outbreak of protecconism or financial and currency

"It is very important to avoid

Japan's Surplus Grew Last Year

Japan's surplus in trade of goods and services with the rest, of the world inched up to a record \$86.69 billion last year, from \$85.85 bil-lion in 1986, the Finance-Ministry said Friday.

The trade measure, known as current account, is broader than the better-known balance of merchandise trade. Current account also includes trade in such fields as banking, insurance and tourism, as well as interest and dividends.

One of the main components of Japan's surplus with the United States, its main trading partner, is cars, and Japan also announced Friday that it was keeping its limit on auto exports to the United States at 2.3 million vehicles for the next financial year. (Page 13).

German Finance Ministry's state secretary, told the annual World Economic Forum. "That would make the adjustment process very much more difficult."

It is essential that competition in world markets should not be distorted by erratic movements of exchange rates, said Arthur Dunkel, director-general of the Genevabased General Agreement on Tariffs and Trade. Yasuhiro Nakasone, the former

Japanese prime minister, said that tension had eased since the collapse of world stock markets in October. "However, if the stock markets crash again, the investors of Japan and other foreign countries will be bound to be much more cautious further eruptions of exchange about investing in American finan-tates," Hans Tietmeyer, the West

1,000 delegates gathered in this
Swiss ski resort for a weeklong

> That could lead to "a further depreciation of the dollar, higher U.S. interest rates, and an economic recession," he warned.

Mr. Nakasone, who was prime minister for five years until November, called on the United States to take further steps to stabilize the dollar by encouraging savings and perhaps issuing U.S. government bonds in foreign currencies.

He warned that the prospect for this and coming years was for "continuous pressure of turbulence in the political, economic and security fields." It is very possible that there might be "unforeseeable, dramatic upheavals both in the world economy and in the security area."

A similar warning note was sounded by James Howell, an ecopomics professor at Stanford University in California, who said that Sée DAVOS, Page 17



MEETING THE PONTIFF — President Daniel Ortega Saavedra of Nicaragua shaking hands Friday with Pope John Paul II at the Vatican. Meanwhile, Sandinist and contra negotiators ended their first set of direct talks in Costa Rica without reaching a cease-fire accord. Page 3.

Coloring Belgium: No Bold Images

By Mary Blume International Herula Tribune

BRUSSELS -- Carlo de Benedetu's attempt to take over the Société Générale de Belgique has aroused a rare emotional display here because it is seen as yet another foreign invasion. "La Générale under the heel of the Italian boot," wrote the newspaper La Libre Belgique.

The Societé Générale, which is said to control as much as a third of Belgium's industry, is eight years older than Belgium itself; having been founded in 1822 by William of Orange as a development bank for the southern provinces of the Nether-

Belgium is an artificial state - our identity lies in our component parts," Mr. De Bandt says. Belgium's lack of a national identity surpasses and predates the Fleming-Walloon rift in which both sides effectively nobble the nation and each other. Occupied by Romans, Burgundians, Spaniards, Austrians, French and Dutch, Belgium won independence, and a new name derived from an ancient indigenous tribe,

The component parts do not add up to a whole. Although any Belgian will tell you that Belgium is not what it seems, no Bel-

Pierre De Bandt, president of the Coudenberg group, a Brussels think tank. co.:tradictory terms the nature of what one of them calls belginude.

One self-description used by both Flemings and Walloons is middelmatisme, a word that is both self-denigrating and proud and that roughly translates as mid-dle or average. This is not a country of excess but of compromise — "a low quality of compromise, perhaps," says the Brussels financier Philippe Duviensart, "but a compromise without violence."

The ceaseless conflict between Flemings and Walloons, Belgians point out, may paralyze the government and stille the economy, but it doesn't cost lives. We are not Northern Ireland or Corsica or Spain. "La Générale is the only reminder we gian can tell you what it is or can define they will say. Belgians often talk of them-have of a national identity," says Jean- with less than a handful of floppy and selves in terms of what they are not.



The lack of identity, the low profile that middelmatisme suggests, has its good points — a lack of chauvinism, a cultural See BELGIUM, Page 5

High-Tech Export Pact: An Exercise in Unity

Both the U.S. and European Allies **Appear Pleased by New Guidelines**

By Joseph Fitchett

International Herald Tribune
PARIS — In a rare display of trans-Atlantic unity on the issue of technology controls, U.S. and European officials said Friday that Western nations and Japan have injected fresh determination into their embargo against high-tech sales to the Soviet Union.

The Coordinating Committee on Multilateral Exports, or COCOM. meeting this past week, sealed an accord covering tougher law en-forcement against smugglers, a shorter list of sensitive technology and freer high-tech trade among the Western allies.

Capping a series of deals over the

last six months, the COCOM meeting at Versailles, near Paris, was a political success that will help prevent the technology embargo from becoming entangled in other trade

NEWS ANALYSIS

frictions, particularly in the U.S. Congress, the officials said. The Reagan administration and

the allies want to head off congressional moves to impose unilateral U.S. sanctions on foreign compa-nies that violate COCOM rules. European governments are eager to see the United States liberalize its licensing rules among allies after

five years during which trans-Atlantic trade seemed threatened by the technology quarrel.
Western solidarity also has political weight, officials said, against export lobbies in Japan and West

Germany that seek looser technol-

/est tensions. Many personal computers, for To help strengthen COCOM, the example, have now been cleared for Reagan administration has im- export to the Soviet Union. This posed at least the surface appear- change answers a long-standing deance of unity on the departments of mand by European governments, Commerce and Defense, which which have accused the Reagan ad-

to be more outspoken. bargain involved giving more pub-A U.S. official who was at the licity to the Western campaign to meeting said, "It's a domestic risk halt technology leaks. for European governments to explain this sensitive issue, but it's a has feared Communist charges of

South Africans Keep Pressure on Angolan Troops

LUANDA, Angola — South African planes and artillery launched over 40 attacks in southern Angola from Jan. 14 to 26, threatening government positions in three prov-

inces, Angola said Friday.

Meanwhile, Chester A. Crocker, U.S. assistant secretary of state for African affairs, conferred in Luanda with Angolan officials on ways to achieve independence for South-West Africa, which is controlled by South Africa and from which South African forces are launching their

A Defense Ministry spokesman said South African forces, backed by fighter planes, howitzers and armored cars, kept Angolan troops under pressure in the three southern provinces of Cuando-Cubango, Hulla and Cunene. The spokesman gave no details of casualties on ei-

Western diplomats said the fighting was likely to hamper Mr. Crocker's efforts to obtain a commitment from the Angolans to send home an estimated 35,000 Cuban troops. Most of the Cubans occupy a defensive line stretching inland from the port of Namib, about 120 miles (200 kilometers) north of the South-West African frontier

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that the Kongsberg case in Norway and the Toshiba case in Japan had sown doubts in Congress about the allies' loyalty and the effectiveness of COCOM. The cases involved the sale to the Soviet Union of computerized equipment for making ultra-quiet submarine propellers

Better cooperation — for exam-ple, an exchange of information among governments about suspicious applications for export li-ceases — could head off U.S. con-gressional proposals for sanctions against friendly nations. In addition, the officials said, the

United States needs to obtain European cooperation on technology controls as European Community members start eliminating trade barriers and creating a miffed market in which a lax country could not be singled out for U.S. reprisals.

COCOM, which was set up to supervise a Western embargo on high-technology transfers, is made up of Japan and the 16 member nations of the North Atlantic Treaty Organization, except Iceland. Key features of the new CO-

COM posture — a shorter list, tougher enforcement and freer trade between the allies - are particularly visible in France, which guards its own technology but has often appeared reluctant to cooperate with the United States.

The first cuts in the COCOM list of embargoed technology will appear in the French government's official guidance to exporters due to be published within a week. After several years during which

the COCOM review process was ogy restrictions.

They said the Reagan administration is anxious to ensure that the tration is anxious to ensure that the known as the Controlled Commodities List, started to be overhauled

have disagreed on the issue, and ministration of throttling trade.

A second part of the COCOM

The French government, which bigger political risk for them with harming East-West relations and the U.S. Congress to be silent."

Earlier, officials in the U.S. delegation, led by John C. Whitehead, the deputy secretary of state, said businessmen about the governbusinessmen about the govern-

ment's crackdown on technology smuggling.
The brochure describes a new nationwide computerized police and customs network for checking suspicious shipments.

In addition, France is prosecuting five businessmen accused of smuggling West German electronics to the Soviet Union. Officials said the case would end a legal debate about whether foreign technology - not just French technology -is covered by French embar-

Another feature of the COCOM compromise was a U.S. pledge to sell technology more freely to allies that have the legal machinery to

This commitment is due to be tested next week when the Reagan administration sets terms for providing advanced radar technology for French-made fighters.

Although the radars are classified military equipment, not com-mercial products of the kind that concern COCOM, the Defense Department has held up sales in order to force European nations to comply with wider U.S. views on high technology.

Syphilis Cases Up 30% in U.S.

The Associated Press ATLANTA - There were 30

percent more syphilis cases reported in the United States last year than in 1986, reaching the highest level since 1950, according to the U.S. Centers for Disease Control. While the rate among heterosex-

uals increased, the centers reported Thursday, there was a drop in cases reported among homosexual men, which the centers attributed to lifestyle changes prompted by the spread of AIDS.

In 1987, there were 35,398 reported cases of syphilis, or 14.7 ases per 100,000 people. In 1950, 16.7 cases were reported per 100,000 people.

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MINESWEEPERS ON THAMES — A squadron of NATO land and Britain, passing Friday under Tower Bridge in minesweepers from West Germany, Belgium, Norway, Hol-

London. The warships put into port for a three-day visit.

U.S. Joint Chiefs Forgo a Deal on INF

By John H. Cushman Jr.

New York Times Service WASHINGTON - In a departure from their practice with previous arms-control treaties, the U.S. Joint Chiefs of Staff are not demanding compensation in the form of new weapons as a condition for endorsing the treaty banning intermediate-range missiles.

Instead, the military leadership is saying that the INF Treaty is sound militarily—a much stronger endorsement than it gave previous arms-control agreements.

In Senate committee hearings this week, the military continued to call for additional spending on new cons after the treaty takes effect. But senior officers are carefully describing their endorsement as unconditional in an effort to prevent the treaty's critics from scuttling it with binding conditions. In the face of budget cuts, the

chip with the Reagan administration to trade for weapons that the Pentagon says it badly needs. Senior officers apparently fear that directly tying the treaty's ratifica-tion by the Senate to further arms

By contrast, when the first strateweapons, including the B-1 bomber and the Trident submarine-

Likewise, when President Jimmy Carter unsuccessfully sought Sen-ate approval of the second arms treaty in 1979, SALT-2, the mili-tary won a pledge that the Pentagon could deploy the MX missile. The Carter administration also laid the groundwork for a broad military spending increase, but it left office before the money was appro-

Military leaders have offered several reasons for not attaching conditions to the INF Treaty. Admiral William J. Crowe Jr.,

the chairman of the Joint Chiefs and the senior military adviser to military leadership might have President Ronald Reagan, has tes-been expected to use its endorse-tified that the military's concerns ment as a convenient bargaining about the treaty itself were all favorably resolved during negotia-tions with the Soviet Union. The Joint Chiefs' main areas of

concern were the treaty's verification provisions, the inclusion of Soviet missiles deployed in the Far investments could scuttle it and East, and the exclusion of French

gic arms treaty was signed in 1972, dorsed by the Joint Chiefs, also has Senator John W. Warmer of Virgin-the Joint Chiefs made clear in the expressed pleasure about the fact is. "We're disturbed about the balpublic debate that their endorsement was conditioned on acceptance of a package of new nuclear compared with 400 U.S. warheads.

Treaty is completed we're still gottom ing to be disturbed about it.

have testified, is the military's view that the allies are welcoming the accord. The favorable response in given this treaty contains no condi-Europe, they say, may well lead to a stronger consensus there in favor of future military programs. Some senators, skeptical of the

treaty, have proposed to amend it require a balance of nonnuclear forces more favorable to NATO.

NATO in military capabilities. Basic asymmetries still exist," Congress this week, "because of the Armed Services subcommittee on Warsaw Pact's geographic advan-tage and its ability to reinforce land Secretary Frank C. Carlucci wheth-

ers said in testimony, the treaty must not be directly linked to re-

"The improvements that we are

Most important, military experts They're separate and distinct."

said, "the support that the JCS has

"No conditions," the admiral responded

Even while endorsing the treaty without conditions, the Joint Chiefs have called for new atomic orces more favorable to NATO. weapons for Europe, including nu-The Pentagon has not backed clear artillery shells and more modaway from its contention that the ern nuclear missiles with ranges Warsaw Pact has been gaining on just short of those covered by the new treaty.

Senator Carl Levin, Democrat of id a Pentagon report delivered to Michigan, the chairman of the and air forces from the U.S.S.R., er the new treaty, or a future agreeand the major quantitative advan-tages it maintains in essentially every category of offensive forces."

ment cutting longer-range strategic forces, should be linked "to either some conventional arms balance At the same time, military lead-status or to some progress in con-

Mr. Carlucci responded that dressing any perceived imbalance. such a condition would be a "killer amendment."

therefore damage the North Atlantic Treaty Organization without securing long-sought new weapons.

and British missiles and aircraftdelivered nuclear bombs.

Admiral Crowe, who said his INF treaty," Admiral Crowe told

advocating, and we strongly sugment as extremely undesirable," he
said.

A Smooth Start for Seoul's New Leader

By Fred Hiatt

SEOUL - President-elect Roh consolidate his authority and persuade South Koreans that his re- diplomat said. gime will inaugurate a more demo-. cratic era, according to both supporters and opponents here. Mr. Roh is a month away from

taking over in South Korea's first peaceful transition of power. Mr. Roh, the ruling party leader and a retired general, has gone out of his way to behave differently from what Koreans have come to expect of their leaders and retired

senior military officers. From the moment of his victory on Dec. 16, when he banned osten-

man" image that helped elect him. The substantive tests of his sin-

cerity lie ahead, and many Koreans remain skeptical of his commitment to democracy. But even the skeptics praise his largely symbolic decisions so far, such as inviting the

home. This has posed a special bur-

den for returning Afghan veterans

— Afghants; as they are called —

who sometimes have to convince

their audiences that what they were

involved in really was a war that left Soviet men dead or wounded.

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confidentially.

An article in the weekly maga-

"He's smart, he's doing the right gime. Tae Woo has moved adeptly to things, he hasn't backpedaled on any of his promises," a Western

At Mr. Roh's party headquarthe high ground on the one issue political past, including those ters, aides are well aware that the the opposition could always claim, caused by Mr. Chun, Mr. Roh and

Indeed, the handicaps Mr. Roh carried on election night remain. He is a minority president, elected with 37 percent of the vote, assum-

ing office amid rising economic and political expectations.

He has promised to change the fundamental nature of the nation's tations celebrations and rejected a politics, ending a tradition of milibullet-proof Cadillac, Mr. Roh has continued to hone the "ordinary he must satisfy his impatient critics

on the left without insettling too greatly his suspicious and recalcitrant supporters on the right. But Mr. Roh is already far ahead

of what many predicted for him before Dec. 16.

speak at schools, and were warned

before the lectures: 'For God's

The number of Soviet dead in

Western estimates put the figure at

"Knowing the numbers will not

make it easier for anyone," said Captain Sergei Sokolov, an air

Now, as the war enters its final

phase, veterans are becoming in-

creasingly vocal. In the new era of openness, the press is assisting with

stories about the difficulties of

Afghan war songs, once forbid-

den, are now released on records.

Local clubs, and now a national

organization, have been formed to

lobby for veterans' rights and to

raise money for a monument hon-

oring Soviet dead in Afghanistan. As a result, the war, once a dis-

tant rumor punctuated by occa-

sional tales of epic bravery, is com-

their readjustment to civilian life.

force pilot.

VETERANS: Soldiers Resent Soviet Press Image of Afghanistan War

The number of Soviet dead in that the war dragged on much long-Afghanistan is still unknown er than expected; that U.S. support

ing home in a way it never has up happening. Namely, that it before. Both veterans and civilians would go on for eight years."

are beginning to grapple with some The veterans rejected compari-

of the basic questions like, as Capsons with Vietnam, first because of tain Sokolov put it, "for what did I their view that the war in Afghani-

while promising to keep his rela- ing by citizens who considered him ering up the torture death of a stua cog in the current unpopular re- dent activist.

major challenges are yet to come.
"So far, so good" is as far as a spokesman, Koo Chang Lim, will may be spokesman, Koo Chang Lim, will the opposition count and the opposi strong, the Olympics in September

> has stayed tactfully in the shadows and the opposition is paralyzed. But more than luck is at work, several observers said. "He's doing everything he can to show he will keep his promises," said a newspa-

per editor. the imperious staff of the presidential Blue House from 10 to six sechalf of the party's incumbents, as retariats. He has appointed new his aides have suggested. leaders to the ruling party, choos-

zine Smyena recently described ers, in newspaper articles and in how the first veterans were told to make the war sound almost pleasmake the war sound almost pleasintensity efforts to bring the estiintensity efforts to bring th

conditions were fully understood;

for the rebels contributed to prolonging the conflict just as much as

Asked what is likely to emerge in

Afghanistan after a pullout of Sovi-

et troops, Captain Sokolov, 29,

said, "probably the same thing we had" after the Russian Revolution

in 1917, "when we were building a

"I would not say our efforts

came to naught," he said. "I am not

able to judge that. Just let the Afghans decide their fate: If it is a

socialist system, fine; if not, fine."

vinced of the Soviet Union's good

intentions in going into Afghani-

stan to help the Kabul government. But Mr. Burkov added: "Our gov-

ernment did not want what ended

go through all this?"

stan was well-intentioned, secondly
It is a question posed openly
now, at the Ogonyok evenings
where veterans are popular speak
stan was well-intentioned, secondly
the stan was well-intentioned and third because they said their soldiers
were well-behaved and third because, unlike in the United States,

For that, we need reporting."

Captain Sokolov remained con-

new society, that is, a civil war.

Soviet intervention.

mated 115,000 troops home, the lems common to all soldiers com-

public is apparently being prepared ing home from wars. They said life

for a national debate over the war. at home seemed disjointed, without

who did not

Opposition leaders said his elec- A former national police chief of South Korea's growing prosperiopposition into his government tion would spark a popular upris- has been arrested for allegedly cov- ty.

Mr. Roh also appointed a "rec-

Instead, the opposition remains onciliation commission" that has adrift, demoralized and divided, been charged with healing the and Mr. Roh has managed to keep wounds of South Korea's turbulent

project an image of a man willing to listen, in stark contrast to the stiff, lecturing style that most Koare shaping up to be the biggest stiff, lecturing style that most k ever, President Chun Doo Hwan reans associate with Mr. Chun. Mr. Roh will face difficult tests soon after his inauguration.

He has promised a sweeping amnesty for political prisoners. He also has promised that his party will field a slate of new-breed politicians in National Assembly elections expected to take place in Mr. Roh has promised to trim March or April. But he will offend

ing men with "soft images" and no military past.

strife in the spring when newly active unions claim a larger share Mr. Roh is certain to face labor

"I saw with my own eyes what

Coming home, the veterans com-

plain about their first encounters with "negative phenomena," a cat-egory of social ills.

Anatoli, the veteran made fam-

the indifference that hides behind

documents and paperwork," Cap-tain Sokolov said. "Sometimes you

president and 71 deputies.

ROME (AP) — Travelers braced for a new series of strikes by railroad and airport workers this weekend in the wake of disruptions during the

Friday by ground personnel forced Alitalia to cancel 88 of its 470 daily flights. The workers are locked in a dispute with management over the renewal of their contracts and have been striking off and on for weeks Beigian air controllers resumed work Friday after 11 days of international traffic, a spokesman for the

Belgian airways administration reported.

An Antirak train carrying about 100 passengers struck a maintenance vehicle and derailed early Friday about 15 miles (25 kilometers) somh of Philadelphia, injuring at least 24 persons. Traffic was delayed throughout the busy Boston-Washington rail corridor. The three Afghan veterans ech-values, without the friendship that sake, don't say that it is bloody oed what appears to be the com-binds people in battle. They see a there; you know, so that there mon line: that Soviet troops were world divided between those who won't be any talk about people dy- sent into Afghanistan before local shared their experience and those

By William Claiborne

ous by an article in Komsomols-kaya Pravda two years ago, told investigators be was appalled by wreckage of a South African Airways jetliner that crashed in November, killing all 159 on board was found Friday deep in the Indian Ocean north of the island of Mauritins the materialism he saw, speculators and black marketeers. He organized a group of like-minded veter-ans to clean up society. "When people come back from there, these negative influences jump right out at them, for instance

field," extending 1,400 feet along the seabed at a depth of 2.7 miles (4.4 kilometers), had been located by special sonar scanning equipment provided by the U.S. Navy.

just feel mean, you want to grab them and kill them.

However, a department spokes—
"And in the end there is a kind of man said that recovery of selected intense feeling, an unpleasant taste parts of the wreckage of the Boeing in your mouth. For what did I go 747 jet is not expected to begin through this? Why can't people un-

them it is difficult to understand.

how the plane broke up on imp with the sea. ith the sea.

The aircraft went down shortly before it was scheduled to land it.
Mauritius to refuel on its files

that there had been an explosive.

Leaders of the search team-in-

Africa's worst air disaster. The North Atlantic

WORLD BRIEFS

Iraq Claims It Hit Another Gulf Ship

DUBAL United Arab Emirates (Reuters) — Iraq said its planes his another ship in the Gulf on Friday as a tugboat company denied reports that two crewmen were killed on one of its vessels in an earlier fragi

strike.

A military spokesman in Baghdad said Iraqi jets had raided a large naval target, a term for a tanker or cargo ship, off the Iranian coast. The last confirmed hit, the sixth by Iraq this month, was on the 225,668 in Cypriot tanker Coral Cape on Wednesday.

The Singapore company SEMCO, which contracts tags to Iran, denied that one of its vessels had been hit and that two crewmen had been killed during the raid on the Coral Cape. "I am in touch with our shipe." a SEMCO official said. "There is no hit."

China Weighs Extensive AIDS Tests

BEUING (AP)—Zeng Yi, the head of China's AIDS research efforts, has called for regular and widespread blood testing to ensure that the disease does not spread among the nation's one billion people, the China Dally said Friday. It was the first time widespread testing among Chinese has been suggested publicly.

The newspaper also said that the government has suggested that Chinese who have been abroad for more than a year should indergo a test for acquired immune deficiency syndrome when they return it did not give details of how such tests would be conducted or whether they would

e mandatory.

Foreigners who come to China for more than a year already are. equired to undergo AIDS tests before they can receive residence permiss

Salvador Appeals Order to Free 3

SAN SALVADOR (Reuters) — Three men suspected of billing 13
persons, including four U.S. marines, will remain in prison while their
court-ordered release is appealed to the Supreme Court, the Salvadorar

The three were to be released on Friday after a military court decision to grant them amnesty under the provisions of a Central American peace accord. The United States has threatened to cut \$18.5 million in aid to Fi Salvador if the three men, who have been held without trial are released.

The military court ruled that the 13 deaths, which occurred in a the military court ruling. Attorney General Roberto Girón Flores said he would file a motion with the Supreme Court to dismiss the anniest. He contends the attack was a common crime. The three men can be held for up to 15 days after the case goes to the Supreme Court.

Re-election Seen for Finnish Leader



Mauno Koivisto

Mes and of the first the Real HELSINKI (AP) — President Manno Koivisto of Finland 16 peared assured of re-election form second six-year term next week as his closest challenger, Prime Minnter Harri Holkeri, pledged to sig-port him in the case of a rimoff Under new voting rules, a candidate can be directly elected if he

wins a majority. If not, the contest is to be decided by 301 electors who are chosen on a separate balling. Four million Finns are eligible to vote in the elections Sunday and Monday, but experts predicted a low turnout of just over 70 percent because of Mr. Koivisto's clear "I will encourage my electors to

vote for the most popular candi-date if I'm knocked out," Mr. Holkeri, of the conservative National Coalition Party, said Thursday in a televised debate among the five

Greek and Turkish Chiefs to Meet

ATHENS (UPI) - Prime Minister Andreas Papandreon of Greek flew to Switzerland on Friday for what diplomats called a historic meeting with Prime Minister Turgut Ozal of Tarkey.

Officials said the two prime ministers, bitter rivals over Cypuns.

exchanged messages for 10 months before agreeing to meet this weekend at Davos, about 75 miles (120 kilometers) southeast of Zurich. It will be the first face-to-face encounter between Greek and Turkish heads of government in 10 years.

Apparently in a bid to avoid raising excessive hopes about what emerge, the semiofficial Athens News Agency played down the meeting saying it would be held "in the margin" of the World Economic Forum But diplomats said the Papandreon-Ozal discussions would overshadon other meetings at the forum, an annual gathering of political and economic leaders organized by a Swiss company.

their regime. Most of all, he has continued to Ecuador Gets New Interior Minister

OUITO, Ecuador (Reuters) — Two days before national elections. President León Febres Cordero on Friday named Heinz Moeller Freile, a lawyer and former congressional deputy, as the new interior minister, to-succeed Luis Robles Plaza, who resigned amid allegations of human

Mr. Robles Plaza resigned Thursday. He previously had defied a congressional resolution urging him to resign for allegedly violating the rights of political prisoners. In a television address, Mr. Robles Plaza said he was ending his political career because he did not want to cast a shadow over the elections Sunday, in which Ecuadorans are to vote for a president, vice

TRAVEL UPDATE

Italy Expects New Series of Strikes

Station personnel announced a 24-hour walkout aimed at disrupting railroad service in protest against management plans to reduce the work force and close some branch lines. At the airports, a three-hour strike

grief war brings, but many people do not know this and think that it is all some kind of joke," said Capall some kind of joke," said Capall some kind of joke, said Capall some kind of joke said capall some kind s Found in Sea off Mauritius

Washington Post Service
JOHANNESBURG — The wreckage of a South African Airways jetliner that crashed in No-

The Department of Transport in Pretoria said that the "debris

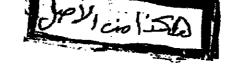
search for the homing radio signal given off by the recorders was given up after its batteries failed about 30

from Taiwan to Johannesburg.

The captain radioed the Mannilius air traffic controller that their was smoke in the cabin. The castle tion of debris and the himself tion of debris and the himself that there had been an employing that there had been an employing.

said that because of the depth of rrough this? Why can't people unrrough this? Why can't people unerstand?

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the way to be a french-built satisfa could explain what caused South the search for the Titanic in the Search for the



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Finnish Leader HELSINKI (AP) - Proje auno Koivisto of Finland ared assured of re-derical cond six-year term nen me closest challenger, Princk Harri Holkeri, pledged to: et him in the case of and

Under new voting rules are to can be directly chosed. ns a majority. If not theme o be decided by 301 elemen chosen on a separate he or million Finns are digit. te in the elections Sunday anday, but experts profine turnout of just over 70 per cause of Mr. Koivision

'I will encourage my dram. te for the most popular or te if I'm knocked out." Mr.H. i, of the conservative Nair alition Party, said Thursday evised debate among the k

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President George Bush benefited from his televised confrontation with the CBS anchorman Dan Rather on Monday night, he also paid a price.

The live interview intensified the debate over Mr. Bush's role in the Iran-contra affair, a role that remains an issue he cannot seem to put to rest 15 months after the andal comted.

Mr. Bush has said repeatedly

that "all the questions have been answered," and two weeks ago his esman said that as far as the Bush presidential campaign was concerned, the issue was essential-On Thursday, however, Repre-sentative Lee H. Hamilton, Demo-

crat of Indiana, who was chairman of the House Iran-contra commitice, said that the vice president's position throughout the period when the Reagan administration was selling weapons to Iran "ro-mains unclear" and that "as long as it is unclear, it will continue to be

Here are some of the major ques-tions concerning Mr. Bush's role, and summaries of what is known.

Way does the issue continue to In a number of areas, the doorments of the Iran-contra affair conflict with Mr. Bush's recollection of

Mr. Bush says he has provided answers to all the questions, but it is clear that his political opponents and some others have not found all his explanations satisfactory.

All this is particularly bother-

some for Mr. Bush's presidential campaign because he is running for office on his assertion that he has served as an effective leader at the highest levels of government and has been a major figure in the Reacan administration.

What is the major area of controversy?



Vice President George Bush pausing for a drink of water before answering a question during a forum in Pierre, South Dakota.

The largest area of ambiguity Hamilton said in a television interminations of it." He has also said discussed in just those terms. Mr. centers on when the vice president realized that the United States was involved in exchanging American arms for the release of hostages being held in Lebanon by Islamic fundamentalists sympathetic to

Though he attended numerous meetings where the sales were discussed, Mr. Bush, a former director of the Central Intelligence Agency who was no stranger to covert operations, asserts that he did not realize that the deal was arms for hostages until late December 1986. That was almost two months after the affair had spilled into the press and a year and a half after the program had been conceived.

Of Mr. Bush's insistence that he did not know earlier of the armsfor-hostages nature of the deal, Mr.

were under way? Mr. Bush acknowledges that he knew the United States was selling arms to Iran and that he supported the plan, which was presented initially as a way of reaching out to Iranian moderates, almost from the moment the program was conceived in the summer of 1985. But he appears to have changed his po-

Asked in early 1987 when he had a specific role in making any deter- meetings where the program was States and 100 TOW missiles, in after that meeting, Mr. Bush met tain reservations" about "certain

was scant or detailed.

sition on whether his knowledge

view Thursday, "The evidence is he was "denied information" on just the opposite." he was "deliberately excluded" from key meetings and was out of the loop." Was Mr. Bash kept informed

But earlier this month, when othabout the Iran arms sales as they er presidential candidates and the news media began focusing on this issue again, he said, "I knew a lot, but I don't know whether I knew everything."

> When did the vice president realize the arms sales were actually part of an exchange: missiles and other weapons in return for the release of American hostages?

On this question, the record includes several conflicts. On some learned of the sales, he said: "I occasions, records show, the vice can't recall. I don't know that I had president attended important wanted a dialogue with the United

Bush or his aides say they do not ed the operation while he and Dethink he was there, but even the meetings Mr. Bush has acknowleged he attended could have given him a great deal of information, enough to prompt Mr. Hamilton to say that the evidence does not support Mr. Bush's assertion that he did not know. "I wish with clairvoyant hindsight that I had known we were trading arms for hos-

tages," Mr. Bush said last spring. A White House log says Mr. Bush attended one of the first meetings, on Aug. 6, 1985. At that meeting, according to the congressional report on the Iran-contra affair, Robert C. McFarlane, then the president's national security adviser, "reported that the Iranians

evidence that the deal was arms for

Mr. Bush's aides have said they do en by Craig Fuller, Mr. Bush's chief

Mr. Bush did attend the president's daily national security brief-ings, and through 1986 the Iran prior to delivering the items in an program was discussed at most of these. But Mr. Bush says the discussions were usually cursory.

Mr. Bush missed a key meeting, at which the program was debated in detail, on Dec. 7, 1985, when he was at the Army-Navy football game. But Rear Admiral John M. ported the Iran arms sales because Poindexter, a former national security adviser, testified before the hostages, "to get those hostages out congressional committees that he of there." "probably" briefed Mr. Bush when the vice president returned.

not think he was there.

Mr. Bush was at a meeting on Jan. 6, 1986, at which Admiral Poindexter presented a new intelligence order, a "finding," authorizindicate that the vice president also attended a meeting the next day at which Secretary of State George P. that "it was clear to me by the time cluded from key meetings involvwe went out that the president, the vice president" and others supportfense Secretary Caspar W. Weinberger opposed it.

But early this month Mr. Bush said he did not recall "any strenuous objections" at the meeting, and suggested that he might have arrived late. Last summer he said, "If I'd sat there and heard" Mr. Shultz and Mr. Weinberger "express opposition strongly, maybe I would have had a stronger view." He made the same points in his heated exchange with Mr. Rather on Mon-

Was Mr. Bush given any later

Bush had been at the meeting, but dle man. Notes of the meeting takof staff, say Mr. Nir talked about "whether we would continue to office involved in or aware of the press for release of the hostages

> amount agreed to previously," Mr. Bush has said that he just to resupply the contras with some of listened to Mr. Nir and that the

> > Underlying all this is Mr. Bush's repeated statement that he supof his concern for the American

Still, he says he did not realize the arms were being sold to Iran in exchange for the hostages until Senator David F. Durenberger, Republican of Minnesota, who was investigating the matter, told him ing the arms sales. And the records on Dec. 20, 1986, six weeks after the affair had emerged into public view.

Mr. Bush wrote in his recent Shultz forcefully argued against the autobiography that after the Dec. arms sales. In congressional testimony last summer, Mr. Shultz said that "I had been deliberately exing details of the Iran operation."

What role did Mr. Bush play in forming the policy? What advice did he give the president?

By Mr. Bush's own account, he was a solid supporter of the arms sales but sat mute through all the meetings at which the Iran initiative was discussed.

"I don't speak up in these" White House meetings, Mr. Bush said last March. "I haven't done it for six and a half years. I'm not going to start now."

Mr. Bush, who declares that any advice he has for the president is a private matter, refuses to say what specific advice he gave in this case. and Mr. Reagan supports him in that refusal. But Mr. Bush has said On July 29, 1986, six months repeatedly that he did express "cer-

Bush and the Iran-Contra Affair: Documents Conflict With His Version of Events return for which four hostages with Amiran Nir, the counterintel-aspect:" of the program. He was would be released." Last year Mr. ligence adviser to the Israeli prime concerned, he said, about Israel's McFarlane testified before the con-minister who was heavily involved role in the arms sale and about the gressional committees that Mr. in the arms sales as a kind of mid-possibility that the covert program would be exposed.

Was Mr. Bush or anyone in his covert program run by Lieutenant Colonel OLiver L. North, an aide with the National Security Council,

Mr. Bush says he knew nothing about it, though at least one person in his office, Donald P. Gregg, the vice president's national security adviser, did.

But a memo from the vice president's office setting an agenda for a future meeting, which was held May 1, 1986, and involved Mr. Bush and Felix Rodriguez, said the two were to discuss "resupply of the contras."

Mr. Rodriguez worked in El Salvador at the time, both on the contra resupply program and as an adviser to the Salvadoran government. Mr. Rodriguez, Mr. Bush and the vice president's aides say they discussed only El Salvador.

Colonel Samuel J. Watson, an aide to Mr. Bush, says the memo was typed incorrectly. But the secretary who typed it said Colonel Watson gave her the information.

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In October 1986, when one of the contra supply planes was shot down in Nicaragua, Mr. Rodriguez called Colonel Watson to tell him. The colonel was one of the first government officials to learn of the

At first Mr. Bush's office denied getting the call but later acknowledged that it had been received.
Still, Mr. Bush has said, "I knew nothing of the shipments by the socalled private network of arms to the contras "



AMERICAN

Big Studios Survive Hollywood's Changes

TOPICS

Hollywood changes all the time, but the major studios survive, notes Aljean Harmetz in The New York Times: "Like chameleons, they adapt to each decade — changing ownership, shedding their sound stages, producing television series for the networks and building vid-

co-cassette companies. "The studios of the 80s are verv different from those myt ological creatures that controlled popular culture 50 years ago. But they still carry the - Metro-Goldwyn-Mayer, United Artists, 20th Century-Fox, Paramount, Warner Bros., Columbia and Universal." And they still control most of what goes on in the

film industry. All the big studios are conglomerates, or are owned by conglomerates. Paramount is part of Gulf & Western Inc.'s Entertainment Group," along with Madison Square Garden, the New York Knicks basketball-team and 894 film theaters. And 20th Century-Fox, controlled by Rupert Murdoch, the press magnate, has started a television network. MCA, the parent company of Universal,

holds 50 percent of the huge Cineplex Odeon theater chain. Warner Communications shares ownership of the MIV and Nickelodeon cable television channels. It is buying a 50 percent interest in 454 of Paramount's theaters. Amusement parks bring Disney most of its revenue. Columbia Pictures Entertainment, controlled by Coca-Cola, also comprises Loew's Theaters.

Short Takes

When S. Brian Willson, protesting weapons shipments to Central America, sat on railroad tracks leading to a naval armaments station near San Francisco on Sept. I, a train ran over him, severing both legs below the knees. He is learning to use artificial legs and has filed a compensation claim against the navy. Now Mr. Willson, 46, is being sued by three civilian members of the train crew for intentional neglect and infliction of emotional distress. "Unbelievable," said Mr. Willson's lawyer, Thomas Steel. The plaintiffs and their lawyer had no comment beyond the lawsuit

The Internal Revenue Service is working on ways of finding the 61 percent of Americans living abroad who, according to the General Accounting Office, Congress's auditing arm, failed to file income tax returns. A spokesman said the IRS plans to exchange information with other countries and require ports to report their current addresses. Other methods yet to be disclosed are under consider-

Amish Mennonites in Pennsylvania have won a fight to block construction of a 15-mile (25-kilometer), four-lane highway that would have bisected their farmlands near Lancaster. Instead, two existing highways that are chronically clogged will be widened and improved, and the state will look into the possibility of a highway paralleling rail lines in the area. Amish farmers, who keep mostly to themselves, attended hearings on the highway in quiet opposi-

When a customer ordered \$50 worth of Illinois state lottery tickets for the Saturday to come, Sue Zera, who tends bar hit the wrong button, dispensing tickets for the Wednesday drawing instead. The customer would not take them, so she had to pay for them herself. She managed to sell some to friends, but was still stuck with \$30 worth. One of those tickets won the \$10 million jackpot. After state and federal taxes are deducted, Mrs. Zera, 47, will net \$387,500 a year for 20 years.
"One granddaughter will get the braces she needs," she said. 'And the other one - well, both of them can go to college if they want to." Mrs. Zera said she intends to do some travel-ing.

Arthur Highee

FBI Papers Show Agents' Zest for Political Role

By Howard Kurtz

Washington Post Service NEW YORK - In August 1984. the head of the FBI's Denver office sent a puzzled message to the Washington headquarters, saying that he was not sure how far his agents could go in investigating a group opposed to U.S. policy in Central America.

"In spite of attempts by the bureau to clarify guidelines and goals for this investigation, the field is still not sure of how much seemingly legitimate political activity can A detailed reading of more than Mr. Marional Convention. be monitored," the message said.

broad view of their right to investirums and Knights of Columbus with a crime. dinners; photographed protesters
at peaceful rallies; and distributed
what they deemed offending artinot be reached for comment.

People magazine. devoted many thousands of hours ing from visits to Nicaragua. Many to surveillance and undercover had expressed opposition to U.S. work, much aimed at church-relat- policies there.

time, William H. Webster, that the group's adherents included "at least one female high school stu-Much of the cable traffic be-

tween Washington and the field offices had a decidedly political tone, with FBI agents monitoring protesters in 1983 at a Denver speech by Edwin Meese 3d, at the time a White House counselor, and investigating CISPES plans to demonstrate at the 1984 Republi-

Mr. Meese, now attorney gener-Investigation files made public this determine whether action was necweek suggests that many of the essary after he receives a report on field offices took an exceedingly the surveillance from the FBI's current director, William S. Sessions.

FBI officials declined to answer During a five-year investigation specific questions about the of the Committee in Solidarity with CISPES probe but said that they the People of El Salvador, or followed internal guidelines gov-CISPES, FBI agents investigated erning domestic security and counnuns, union members and college terterrorism investigations. No students; checked up on church fo-

cles from student newspapers and The FBI also was accused of intimidation during Mr. Webster's Despite many deletions, the vo-tenure for attempting to question luminous files indicate that the FBI more than 100 Americans return-

ed activities and college campuses. The documents on the CISPES
The Pittsburgh field office, investigation from 1981 through which unsuccessfully sought to 1985 were obtained through the

plant an undercover agent in the local CISPES chapter, gravely informed the FBI director at the Stitutional Rights.

Freedom of Information Act by the them to continue the inquiry, saying the committee "may be a front organization for the CISPES."

"The CISPES leadership coverting the funds and materials to organization for the CISPES." Several FBI offices found no evi-

dence of criminal activity but evi-Webster's office.

Rights in Latin America, "a nonvithat "it does not appear that further investigation is warranted."

dently were encouraged by Mr. ied license-plate numbers of indi- doctrination of Salvadoran guerrilvidual protesters attending public las either to be returned to the FBI officials in Phoenix reported rallies. The Houston office went lighting in El Salvador or to remain in 1983 that they had looked into further, distributing 104 photo- in the U.S. to establish guerrilla the Tucson Committee for Human graphs of participants in a 1985 cells," Pittsburgh reported in 1984. march by the Texas April Mobiliolent organization," and concluded zation for Peace, Justice and Jobs.

The heaviest barrage of apparallegations about training guerrilently unsupported assertions came But Mr. Webster's office ordered from the Prusburgh office. las "ludicrous" and "nonsense."

The documents also show several in the maintenance of camps in the instances in which FBI agents cop- U.S. for the rehabilitation and rein-

> Hugh Byrne, CISPES political director in Washington, called the

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Sweeping Anti-Bias Bill Is Approved by Senate

tance in other programs. related services to women.

By Irvin Molotsky

has passed a civil rights bill that just the part or parts receiving fedwould reverse the impact of a 1984 Supreme Court decision that significantly limited the reach of federal laws against discrimination. Proponents called the bill, which

most significant pieces of civil rights legislation to come before Congress in many years. The Supreme Court roling, in a case brought by Grove City College in Pennsylvania, held that the fedcrail law banning sex discrimination in colleges and universities that receive federal aid applied only to the approval earlier in the day, would specific program receiving such aid, not to the entire institution. Thus, if a college discriminated against women in a program that ties or hospitals would not risk of Nicaragua a markedly cool re- ing Friday did not indicate an imdid not receive federal aid it could losing federal funds if they declined

By Irvin Molotsky

New York Times Service

WASHINGTON — The Senate to the entire institution rather than as passed a civil rights bill that just the part or parts receiving federal aid was 75 to 14. The 14 votes place under the framework of the place under the place u against the bill were east by Repub- Central American peace plan

The bill now goes to the House, which is expected to approve it by passed Thursday night, one of the at least as lopsided a vote. However, a White House spokes- ald Reagan forged ahead with his

man, Leslye Arsht, said: "We op- campaign to persuade Congress to pose the bill in its current form. give \$36 million in new aid to the There's a veto signal out there."

Senator John C. Danforth, Re\$3.6 million of the aid would be in pected that an abortion amendment he sponsored, which won I John Paul Cool to Ortega encourage President Ronald Rea- Times reported from Rome: gan to sign the bill. The amendment states that colleges, universi-

SAN JOSE, Costa Rica - Nicaraguan government and rebel negotiators ended their first direct peace Mr. Ortega described his 30 talks Friday without achieving a minute private conversation with

Pope Appeals to Ortega

For 'Real Democracy'

The mediator, Monsignor Robelo Bosco Vivas, announced the next session at the end of two days of talks in San José, which he said were conducted in "a climate of much sincerity and respect." "The meeting was very positive, and the will exists on both sides to seek a cease-fire in Nicaragua,"

Bishop Vivas said. He noted, however, that the date for the meeting was subject to approval by the archbishop of Managua, Miguel Obando y Bravo, who was unable to mediate the San Jose The vote in the Senate to apply talks because of a trip to the Vati-

> signed by the presidents of Nicaragua, Honduras, El Salvador, Guatemala and Costa Rica on Aug. 7. In Washington, President Ron-

rebels, known as contras. All but publican of Missouri, said he ex-nonlethal assistance. (AP, Reuters)

Roberto Suro of The New York The Pope on Friday offered President Daniel Ortega Saavedra pot face the loss of federal assis- to provide abortions or abortion- sternly advised the Sandinist leader that respect for human rights and the peace process.

Compiled by Our Staff From Dispatches democracy was necessary to achieve peace in Central America, Vatican officials said.

cease-fire but agreed to resume the Pope as "constructive and their talks Feb. 10, their mediator frank." The papal audience, he said, was part of an effort to bolster the Central American peace process and generate opposition to the Reagan administration's policy of aiding the contras.

A statement on the meeting by Joaquin Navarro-Valls, the chief Vancan spekesman, said the the Pope reaffirmed his support for the Latin American peace plan, "par-ticularly the right of populations to live in a political regime based on the principles of true democracy." John Paul, according to the statement, "expressed to President

derlining the necessity that it is carried out through a faithful dialogue, with respect for the fundamental rights and freedoms of all." A senior Vatican official who had discussed the meeting with the

Pope said, "Ortega listened more

Ortega the hope and need that

peace in the region is achieved, un-

than he talked." It was the first time that the Pope had seen Mr. Ortega in almost live years. In that time, relations between the Vatican and the Sandinist government have been marked by tension and occasional hostility over the expulsion of priests from Nicaragua and other actions perceived by the church as restrictions

on religious liberties. Vatican officials said the meet ception at the Vatican and then provement in those relations but was a sign of the Pope's interest in

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What Is Bush Hiding?

As long as Vice President George Bush offers his experience in world affairs as a qualification for his presidential candidacy, the questions he refuses to answer about the Iran-contra affair will haunt him. Unless he says more, voters are left to judge him by the known record. It presents three possibil-

ities, each disquieting — or worse.

Even with its gaps, the record compels the conclusion that Mr. Bush knew or should have known enough to warn President Reagan against shipping arms to Iran in return for hostages. To understand why, recall that he heads the administration's task force on terrorism, which has always insisted on the principle of never bargaining with terrorists.

Then, consider the fact that the vice president attended many national security meetings and had other opportunities to learn, or strongly suspect, that this cardinal principle of anti-terrorism was being violated.

Two such occasions stand out. One was a

January 1986 meeting at which Secretary of State George Shultz and Secretary of Defense Caspar Weinberger argued against the arms deals, Mr. Shultz vehemently. Mr. Bush says he never heard Mr. Shultz's vehemence, and now suggests he may have been out of the room at the time. Hear no evil. Then, in July 1986, Mr. Bush learned at a briefing in Israel that the Iranian arms negotiators included some of that country's craziest radicals -- probably including the kidnappers who tortured and killed William Buckley, the CIA station chief in Beirut. The vice president now says he did not understand the briefing but reported it back to the National Security Council staff, the architects of the Iran-contra affair, and never followed up. See no evil.

Voters must consider these possibilities: 1. Mr. Bush knew all the relevant facts and argued against the policy but was

overruled by the president. If that is so, it is understandable that he would not wish to say "I told you so" to the president in public. But if that were the truth, the president, who obviously Bush's media burden in a flash.

2. Mr. Bush knew and went along, content to raise peripheral questions.

That is the possibility the record sunports most strongly. A recently disclosed White House memorandum portrayed Mr. Bush as "solid" for the hostage-trade plan. The vice president has explained that he went along with arms transactions not realizing they were hostage ransom.

But how could anyone in his position not have realized that? Indeed, Mr. Bush almost admitted knowing it when he told Dan Rather, the television anchorman, "So if I erred, I erred on the side of trying to get those hostages out of there."

3. Mr. Bush was so uninvolved or inattentive to this stunning undertaking that he did not learn about it until December 1986.

It is wholly implausible that the vice president did not come to know until a month after the White House began to admit the weapons sales and the diversion of profits to the Nicaraguan rebels. Yet that is what he has maintained. If the vice president's explanations are

thus unconvincing the president's latest ones are astonishing. From the day the scandal broke, Mr. Reagan pledged full disclosure from himself and his administration. He waived executive privilege in response to the investigators.

But consider his position now. He selec-tively approves Mr. Bush's claim of confidentiality for advice given to the president. And he does some selective remembering. This is the president who could not recall whether he approved the first arms ship-ment in advance, and could not recall sign-ing a December 1985 finding on the need to pay ransom for the hostages. Now he remembers that the vice president was not among those present in the White House

when Mr. Shultz argued against the deals. "You know what I'm hiding?" Mr. Bush asked in the television interview Monday. "What I told the president. That's the only thing." Unless he says more, voters are left to believe something else: that George values Mr. Bush's service, would have every reason to say so now — lifting Mr. Bush, even while campaigning for the public's trust, is hiding embarrassing truth. -THE NEW YORK TIMES.

Their Hands Outstretched

Seven times last summer the Senate majority leader, Robert Byrd, tried to break a three-month-long Republican filibuster against a bill to reform the squalid American system of congressional campaign finance. Seven times he failed; a majority favored the bill. but not the 60 needed for cloture. Now Mr. Byrd has indicated he is going to try again in an election year, and good for him.

He has two targets: the moderate Republicans so fond of being seen, often with cause. as among the constructive swing votes in the Senate, and Minority Leader Bob Dole. Three of the sensible Republicans stepped across the party line on the bill last year -Robert Stafford of Vermont, John Chafee of Rhode Island and, on the final cloture vote, Nancy Landon Kassebaum of Kansas, The first two were among the legislation's sponsors. Mrs. Kassebaum reserved the right to vote against it but did not want to be locked in the same room with the present system either. The moderates could make a deal with the sponsoring Democrats and probably improve the bill; they should try.

arises partly from his presidential candidacy, a theme of which is his (demonstrated) legis-lative leadership. The supposed ultimate Re-publican objection to the bill is that it would make public funds available to finance campaigns. But the Democrats have reduced the public funding to a shadow role, while Mr. Dole is cheerfully accepting public funds to help finance his presidential campaign, and it doesn't seem to have hurt him a bit. Mr. Dole has the power to break the impasse on this legislation. He and the Senate would

both be the better for it. The problem with the present system is that it has no upper bound. The cost of office has raced ahead until the parties are bidding for power with dollars. The average Senate winner spent more than \$3 million in the last election. To amass that much a senator must raise \$10,000 a week every week of his six-year term. A senator who expects a close race or is from a larger state may have to raise two, three or four times that. These people live with their hands outstretched. The House, where the average winner now spends more than \$300,000, is not far behind. For senior House members particularly, a greater share of this money than is healthy comes from the political action committees, or PACs, the giving arms of interest groups.

The bill seeks to impose spending limits on Senate races only (the House would add what rules it chose for itself). The Supreme Court has said it is a violation of free speech to impose such limits absolutely; they would thus be voluntary, binding only on candidates who chose to accept federal funds. Even then not all candidates would get such . क्यांप अध्यक्त रा the spending limits and whose opponents did not. In deference to the Republicans, the public funding has been reduced to an insurance policy. The bill would also limit the funds that either a House or Senate candidate could accept from PACs.

In the 1986 Senate elections, \$182 million was spent. An expenditure that large corrupts the democracy in whose name it is made, and most senators know it. The bill that Senator Byrd is championing would restore proportion. The Republicans should try to perfect and help to pass it.

- THE WASHINGTON POST.

Other Comment

Gulf: A Broader French Role

The present escort operations help only a fraction of the merchant ships in the Gulf. Iran's gunboats still attack ships from countries that do not send their own warships to protect them. Warships from the six Western navies often have to watch these attacks but do nothing, forbidden to intervene by their "rules of engagement."

France has decided to abandon this miserable arrangement. The commander of the French force in the Indian Ocean, Rear Admiral Guy Labouerie, [has] announced that the French navy will no longer cruise idly past while the Iranians blast away at merchantmen. His ships will not only go to the aid of any neutral merchantmen hit in an

attack (as all the navies do). They will also, when they can, stop them being attacked. Neutral merchantmen carrying neutral cargoes to neutral countries have a right to stand aside from the war. Not to protect them, when the means are at hand to do so. is a craven cop-out.

- The Economist (London).

As the Contra Vote Nears

We should and can both support the Central American peace process and sustain the Nicaraguan resistance while the Sandinists' promises are put to the test.

Each side in the U.S. debate should concede that the other's position has proved to contain an element of truth: The combination of regional diplomacy and the increasing pressure of the contras together have

brought progress and should guide us.
The administration and Congress should avoid seeking narrow victory in an up-ordown vote Wednesday on new military aid. Instead, we should seek bipartisan support for a new policy that includes the best elements of diplomacy and military pressure.

The United States should reaffirm its

strong support for the Central American peace accords and the principle stated by its author, Oscar Arias Sanchez: "Without democracy there can be no peace."

Washington should provide additional aid for a cooperative economic development effort among those nations that have complied with the democratization provisions of the Arias plan. Let the Central American democracies recommend to the United States whether Nicaragua should be eligible.

If the Nicaraguan government fails to meet specific standards for democratization by a given time, the funds appropriated should be released to sustain the Nicaragnan resistance. If the Sandinists do meet the criteria, the funds should instead be used to rebuild Nicaraguan civic and economic life.

- Charles Robb, former governor of Virginia, writing in The Washington Post.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982

KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER

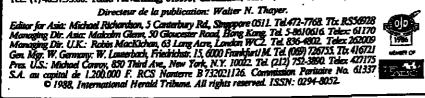
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The Challenge Now Is to Manage Success

WASHINGTON — With fin-de-Reagan fa-tigue upon us and, according to this mouth's conventional wisdom, the decline of the American empire to follow, American successes are not a hot topic. They should be. Like it or not, the United States is facing a variety of foreignpolicy successes around the world.

The challenge is not to blow them. Since Vietnam, America has had much practice in managing failure.
It has had so little practice managing success that it may be losing the knack

One success has already largely been frittered away. The deployment, over strong pressure from Moscow and the peace movement, of Euromissiles was the most important and underrated American foreign-policy achievement of the decade. The Russians tried to demonstrate that, through threat and pressure, they could achieve nuclear domination of Europe and, in effect, exert a veto over NATO military deployments. American and allied steadiness demonstrated that they could do neither.

It was an achievement of the first order. Unfortunately, it is largely undone by the INF treaty now before the Senate. Both American and Soviet intermediate-range missiles will now be removed from Europe. But the United States, separated from Europe by an ocean, needed to leave at least some Euromssiles in place to give credibility to the in-creasingly incredible American nuclear guarantee— the foundation upon which the North Atlantic Treaty Organization rests. There was, in fact, an earlier U.S. proposal to that effect. It was swept away by asm for the zero option.

The zero option is not the end of the world (though it may in time be the end of NATO). But it shows how an absence of strategy and a lack of tactical nimbleness can undo a foreign-policy gam.

Barbara Tuchman notes the compul-

sion of leaders all through history to

behave woodenheadedly — to follow policies contrary to those indicated by

good sense and enlightened self-inter-

est. Calling Philip II of Spain "the

surpassing woodenhead of all sover-

eigns," she observes, "No experience of the failure of his policy could shake

Philip's title is now on the line. In

seven years' time, the U.S. policy of

aiding the contras has produced only

Irangate, national humiliation and

the condemnation of the United

States by the World Court - to say

nothing of the suffering it has caused in Nicaragua. The contras cannot de-

feat the Sandinists; they can only

harass them, and harassment ad-

vances no discernible U.S. objective.

lence of his policy, President Reagan

has now asked the Congress for \$36 million in contra aid. How does he

justify this? By warning that while the

Sandinists talk of peace, they and the

Soviet Union are planning a large-scale military buildup — which pre-

And yet, convinced of the excel-

his belief in its essential excellence."

The Path to More Contra Aid

Is a Modern 'March of Folly'

March of Folly," the historian sumably only contra aid can stop. In fact, it is quite the other way

In fact, it is quite the other way

around. As President Daniel Ortega

Saavedra made clear in a recent arti-cle (IHT, Jan. 15), there will be no augmentation of Nicaraguan forces if

the plan authored by President Oscar Arias Sánchez of Costa Rica works.

Indeed, they could then be reduced.

discussed the creation of a militia of

600.000 members and Nicaragua's

acquisition of more sophisticated

weapons. But as Nicaraguan docu-

ments obtained by Washington indi-

cate, such upgrading would occur only in the event of "a sustained

escalation of American aggression" via a mercenary war and the continu-

ing threat of a large-scale military

Mr. Ortega urges that the United States and Nicaragua negotiate their

differences. He emphasizes the San-

dinists' willingness to address U.S.

ers negotiations with Nicaragua to be

beneath his dignity. But what of dis-

cussions with the Soviet Union? Dur-

ing the summit meeting Mikhail

Perhaps President Reagan consid-

action" by the United States.

security concerns.

True, Moscow and Managua have

By Charles Krauthammer

Another little-noticed success is the reflagging of Kuwaiti ships in the Gulf, It set limits on Iranian action, greatly enhanced U.S. influence with the oil-rich Arab states, calmed Arab security fears in the face of the Iranian threat and secure

a Kuwaiti lifeline to the Arabian Sea.

It also yielded a lesson on multilateralism, that favorite cover for isolationists. After the United States entered the Gulf, the allies followed. It was a convincing demonstration that the way a super-power gets multilateral allied support is not to plead for it, but to lead the way.

The U.S. success in the Gulf could be blundered away, too, though here not by underplaying Ameri-ca's hand but by overplaying it. There is talk of (and pressure from navy commanders in the area for) enlarging the U.S. mission to include the defense of any vessel, not just those flying the American flag. Such a declaration of naval warfare against Iran would invite continual engagement, strain resources and threaten Congress's rare tolerance for this

projection of American power.

The other generally unremarked success of recent American foreign policy is the Reagan Doctrine, under which the United States is supporting four anti-communist guerrilla insurgencies. In ev-ery one, the guerrillas are on the move. In Afghanistan, they have already achieved strategic victory. The remaining question is when and how, not whether, the Soviet retreat will occur. On the question of Cambodia, Vietnam has begin negoti-ations with Prince Sihanouk to find a way out. In Angola, the annual Cuban- and Soviet-led offensive has been defeated and the UNITA guer-

rillas are reported to have captured the govern-ment-Cuban garrison at Cuito Cuanavale. And in Nicaragna, the 15,000-man contra army has shown unexpected military ability and built significant support among the peasantry and the internal opposition. The Sandinists have been forced into

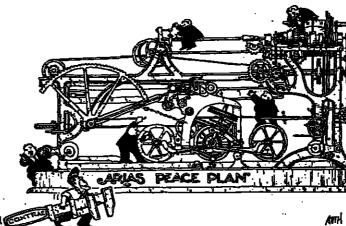
direct negotiations with them.

It will take tactical dexterity — and steadiness about goals - not to deal away these successes. The object of guerrilla war is to get to power. In Afghanistan, that means resisting pressure from the Russians for some communist role in a future government. The challenge for the United States is not to blunder away at the table what the guerrillas are winning in the field: an Afghanistan entirely out of the Soviet orbit.

But it is in Nicaragua that the American propensity to undo is on most extravagant display. The Sandinists are in trouble: The economy is in collapse, inflation since November is at 13,000 percent, shortages are so severe that they threaten the regime's survival. As one Nicaraguan put it, you can control people through ration cards — if you have food to ration. The Sandinists do not. They are so worried about contra political and military gains that two weeks ago, just as Daniel Ortega Saavedra was trying to impress Congress with promises of democracy, they arrested a dozen internal opposi-tion leaders just for meeting with the contras.

In the face of this enormous pressure on the Sandinists, Congress is expected to vote next week on whether to save them by cutting off the contras. Odds are that it will. If the odds don't change, America will have managed the most extraordinary, self-inflicted, strategic surrender in memory. Its decline will be well-earned.

Washington Post Writers Group.



Gorbachev suggested that both sides support the Arias plan — the United States by ending aid to the contras, the Soviet Union by severely limiting

any military shipments to Nicaragua. Did the president seize the opportunity? No. Once Mr. Gorbachev was out of town, he began ringing alarm bells as part of his scare tactic.

It is an all too familiar pattern: Negotiations that might achieve U.S. objectives are eschewed in favor of continued aid to the contras, who haven't a chance of achieving any of them. Philip II would have approved.

the United States hope to return democracy to Nicaragua. In fact, such aid is unlikely to have that effect.

aid for resettlement.

- Wayne S. Smith, a former career

Nicaragua has just taken steps to-

ward democratization - but to

by continuing aid to the contras can

comply with the Arias plan, not as a concession to the contras. Mr. Reaapprove further contra aid, beyond

gan may flippantly say "phooey." But it is a certainty that those steps will be rescinded and the Arias plan fatally undermined should Congress

The president also insists that only diplomat, in The New York Times.

Moses Mayekiso: His Crime Was to Lead His People

By Herman Rebhan

GENEVA —On Monday, a trial reopens in Johannesburg after a long holiday break. It is that of Moses Mayekiso, a young man with the potential someday to lead that great but tragic country.

He is not known outside the country. But in South Africa hundreds of a powerful and permanent force. thousands of factory workers and millions of blacks in the townships know of Moses Mayekiso. Not yet 40, he is part of the new generation of trade union leaders who have risen along with South Africa's growing black trade union movement.

Like Cyril Ramaphosa, the black miners' leader, Moses Mayekiso's leadership qualities were forged at an early age in the cauldron of strikes, township revolts and constant negotiation with employers, the police and the contending forces that seek to speak for the nation's blacks.

Fifteen years ago, there were only 20,000 blacks in South African trade unions. Now nearly two million blacks are organized. The state of emergency has dampened the vi-olent revolt of a few years ago, but worker militancy has not cooled.

African government, more work rise to be general secretary of the days were lost in strike action than metal manufacturing union, second black trade union movement is now

The unions have been a school for democracy, organization and self-reliance for all sorts of blacks - for cashiers and clerks, autoworkers and miners, for employees of the state and those who work for European and American firms. The arts of negotiation, leadership and, perhaps most important, compromise and survival, have been learned by thou-

sands of once-voiceless blacks. Moses Mayekiso grew up on a farm before getting a job at a newly opened Toyota factory. He worked hard to educate himself, much like some of the great European trade union leaders have done (Britain's

Ernest Bevin comes to mind). Mr. Mayekiso's warmth and eloquence made it natural that his fel-

assumes, is enjoying himself hugely. He has a clear lead in polls on

Last year, according to the South Toyota plant in the late 1970s. His During this time Mr. Mayekiso

was living with his wife, Kola, and their seven children in a simple wooden house in the black township of Alexandra, outside Johannesburg. Alexandra was a center of the township revolts from 1984 to 1986. and the community turned to Mr. Mayekiso as a proven leader, asking him to chair the newly created Alex-

andra Action Committee As happens everywhere, he and other black unionists were drawn ineluctably into the political process. In June 1986, the security po-lice arrested Mr. Mayekiso on his return from a trip to meet with labor leaders in Europe. After nine months in solitary confinement, he was put on trial in October on

charges of high treason. low workers would turn to him when they decided to form a union at the largely with his involvement in the

marked poll, the same people who give

overwhelming approval to Mr. Mitter-rand say that they also think him too

in any previous 12 months. The in South Africa only to the had been plaguing the township. black trade union movement is now mineworkers union, was rapid. Mr. Mayekiso was also accused of

ists gather in democratic countries.

likely to be pitiless toward him.

The writer is general secretary of the International Metalworkers Fed-

ganized rent strikes, school boycotts and set up so-called People's Courts - unofficial tribunals to discipline the hooligans and petty thieves who

possessing political books and pam-phlets picked up in Europe — the sort of literature that is freely and innocently distributed whenever left-

His trial is expected to last for most of this year. He faces a possible prison sentence of 15 years. The man on trial in Johannesburg represents part of the future of his

country. I only hope that when Moses Mayekiso is sitting in some ministry in a majority-ruled South Africa, he will be as merciful toward his former guards and judges as they are

eration, a Geneva-based group representing 14 million workers. He contributed this comment to the International Herald Tribune.

A Seven-Faced Man Who Knows the Mind of the French

PARIS — With an effect rather like that of the Zen master's one

hand clapping, the French presidential campaign is launched with only one man running. Or only one of the principal candidates yet running — Prime Minister Jacques Chirac. The second conservative candidate,

Raymond Barre, has not declared, but will soon do so. The missing man is President François Mitterrand. But if he is not yet running, he is dominating the race by his absence. Mr. Mitterrand says he will an-

nounce his decision in good time. Posters, though, are appearing: a trusting baby reaches out to touch a (presidential?) hand, under the words Génération Mitterrand." What is this Mitterrand Generation? Could another Socialist lead it? Several Socialists would like to try, but by now they are pretty discouraged. Is Mr. Mitterrand even a Socialist? He did not start as one. He may not end as one. A sardonic student of Mr. Mitter-

rand's career, a journalist named Catherine Nay, identifies seven François Mitterrands who have succeeded one another during the seven years of his presidency. He took office as François-Léon Blum, leader of a triumphant Popular Front of the left. He will leave office, she says, as François-Augustus, a benevolent Caesar. Along the way he has been Francois-Reagan, after abandoning Socialist economics for the marketplace, and — as one of his enemies adds — François-Petain, Father of

the Nation. Miss Nay says that he has

one more personage to assume before his career is linished, that of François de Gaulle, "taking over the Gaullist heritage in its totality." The president's elusiveness and capacity for metamorphosis enrages as well as baffles his opponents, causing Mr. Chirac - young, dynamic, ag-

By William Pfaff gressive, unstoppable - to seem an useful to check the excesses of both obstreperous guest at the electoral par- left and right. With time, however, the ty, carrying on noisily in the corner. disadvantages have become increas-The professorial Mr. Barre seems fretingly apparent. And in a little-retish and annoyed. Mr. Mitterrand, one

old to run for a new seven-year presipublic approval, and in most polls on dential term. He is 71. If he were to run and to be reelected, he would have virtually no chance of re-creating a leftist parliamentary majority to support him. It would not even be in his interest to dissolve Parliament and ask for a new vote on parliamentary deputies. The present National Assembly was elected by proportional representation. which maximized the left's advan-tages. The law has been changed and

> the winner-takes-all principle. Thus Mr. Mitterrand would have to continue to coexist with the right, or to divide it. He could name a centrist or a nonpartisan figure as prime minister. Mr. Chirac, defeated for the presidency, would no longer be the force he is now. The right's existing majority in the Assembly is only two votes. Mr. Mitterrand could even name former President Valery Giscard d'Estaing as his prime minister. Mr. Giscard d'Eshis prime muniter. Mr. Ciscard d'Es-taing would quite possibly accept. Mr. Mitterrand, a product of the Fourth Republic, is a master of parliamentary maneuver and combination. Perhaps

a new Assembly would be elected on

he could divide and dominate. It would be to his taste to try. That he will run in April, and win in May, is generally assumed. Yet one wonders if this outcome is what, in the end, the French voters will decide. It is

the parties these days on the major issues and policies. On foreign policy and security there is virtual unanimity. It is possible the French will decide

to write an alternate ending, if only because this one is so predictable. It is possible that what they really are bored with is cohabitation. It is possible that when summer begins the French will have a different president. One could quote Fliot to Mr. Mitterrand: History has many cunning passages, contrived corridors/ And issues, deceives with whispering ambition/ Guides us by vanities.

International Herald Tribune. C Los Angeles Times Syndicate.

presence in the Gulf is a promising development. Not trying to deceive offers, he is not likely to deceive himself.

100, 75 AND 50 YEARS AGO

to predict the future of this society, without Puritan traditions, with wealth among them, and with a habit of communion with Europe, will be a RFI FAST On Feb 9 the voters of of communion with Europe, will be a softer, though not weaker people. As they cease to be British, Germans and Irish, the men of the new type which to show what they think of Eanton de will be here the distinct of the polls. will be born, the distinctive 'Austra-lians," will be as distinguishable in tralian will be a sunnier man.

use gasoline engines for power must LONDON — [The Speciator says:]
There is every reasonable probability
that in 1988 Australia will be a Federny is to be kept from making the same of ny is to be kept from making further. belown's lack of the second real second re al Republic, peopled by 50 million ruinous advances in the price of gaso-English-speaking men. It is difficult line. If the purpose of the company line. If the purpose of the company but we think that it will approximate much more closely to the Italian than the American type—that is, it will be rises in the price of the fuel will force. democratic, but not hard. The Austens of thousands of automobilists tralians, with a more genial climate, to abandon their machines.

England as the Americans. The Austhe six countries of Ulster with the counties of Eire to form one Ireland.

Drawing by LURIE

voting intentions. It nonetheless can be asked how this sympathy will be expressed in the presidential vote it-

self. That will take place in two

rounds: an initial vote April 24,

then a face-off between the top two

Not only is Mr. Mitterrand liked.

but for most of the last two years

vote-getters on May 8.

In Carlucci, phis of 4
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STEP 3

Navigator •

By Jim Hoagland

DARIS — King Fahd of Sanda

Arabia discovered this month
what Washington has long known;
a well-turned waffle is a Frank
Carlucci specialty
During the new defense setretary;
maiden voyage to the Gulf and Eir
rope three weeks ago, the Sandi monarch pressed for an expanded U.S.
commitment to protect commercial
shipping using Sandi ports, But Mr.
Carlucci would go no further than
promising to think about it.

It was the answer of a man who is
intent on lowering the American pidfile in the Gulf, not raising it as the
Sandis and other Arab states want
While Iran is laying off the few ships
the United States protects, attacks on
other nations vessels are climbing
Not wanting to antaggaize American
Not wanting to antaggaize American
Not wanting to antaggaize American

other nations vessels are climbing.

Not wanting to aniagorize America's Arab allies by rejecting King.

Fahd's feeler, Mr. Carincci temporized. This time he found a graceful

But as the time nears for America to reduce the overblown armada it has assembled in the Gulf, such wallfung probably will have to be discarded. The Gulf Arabs have binfied the West into providing them with more protection against fram than the control of the provider.

American officials who want to use the current tension to establish long term military facilities in the Gulf or the sly have found the situation useful in avoiding a divisive new debate over to provide for themselves. September 1 Commence in avoiding a divisive new debate over energy security and guaranteeing on supplies from the Middle East. M AND THE REAL PROPERTY OF THE PARTY OF THE

Pentagon a new sense of restraint and Mr. Carlucci appears to bring to the realism about the shaky base of a gional support on which the American buildup in the Gulf perches. On his trip to the Gulf, he avoided the kind of Maria hetoric and self-congratulation that helped lock Caspar Weinberger onto

the ladder of escalation.

The key moment came in Riyath when an obviously agitated Fahd incidents. to squeeze a new communent out of Mr. Carlucci to protect Sandi-related shipping, which is now outside the tacit trace that the United States and Iran seem to be observing in the Guilt-

Speaking elliptically, the king asked about American policy regarding commercial vessels not flying the US gunships. Did U.S. warships have to wait until neutral ships were fired on before coming to their assistance, or could the United States see its way clear to authorize earlier protection?

We will think about that, Mr. Car-lucci replied. Later, in Paris, he put Fahd's question to Prime Minister Jacques Chirac, who has authorized France's smaller but parallel building of naval forces around the Guif. Mr. Chirac immediately said the United States and France should agree to Fahd's suggestion. But he added two conditions: There had to be a consensus among the European

countries and the United States on any expansion of their naval protection in the Gulf, and the Gulf coastal states would have to agree to participate militarily in the new effort. It was an elegant evasion, since both the French and the Americans were sure that the Saudis would not agree to put Saudi frigates in the water to take on Iranian gunboats harassing commercial shipping. While asking the Western powers to

provide more protection, the Gulf Arabs themselves are still fearful of involving their forces directly in the confrontation with Iran That is the reality behind the smoke and mirrors some senior officials in the Pentagon are using to try to make it seem that the Europeans and the Arabs are taking on significantly expanded military roles in support of the United States in the Gulf. Unlike Mr. Weinberger, Mr.

Carlucci does not seem to be taken in by smoke and mirrors. The other condition set by Mr. Chirac, for a Western consensus, also puts a hidden brake on Western military expansion. Mid-level U.S. and French officials have concluded that Britain probably would not join in such a consensus and is pursuing a separate Gulf policy that is more favorable to Iran than London acknowledges. One sign of this attitude comes in

softening British support for a United Nations resolution setting sanctions that would be applied to franalone. Presiding over the Security Council this month the British did not move effectively to break the continuing Soviet stall on the issue.

In this tangled web of evasions and deception, Mr. Carluca's careful but clear-eyed reassessment of the U.S.

The Washington Post.

1888: Australia in 1988 and thousands of manufacturers who

cohabitation between him and a conservative Parliament and prime minister has enjoyed public approval. People seem to have felt the arrangement

1913: We May Just Walk

NEW YORK — [The Herald says:]

Sovermment with its loyalty to King

George and its divorce from Database

Contability on the last two years

Incomend the prime will go against de Valera and the prime will elect to retain its six county

NEW YORK — [The Herald says:]

Sovermment with its loyalty to King

George and its divorce from Database

spond well to all the media atten-

tion." Mr. Wall said. "They weren't

just shooting Palestinians, they were shooting themselves in the

"At the same time, a lot of re-

porters who come in here for a few

weeks don't understand the situa-

tion and don't realize that Gaza

isn't Berkeley in the 1960s. They're

throwing stones out there, not mak-

ing peace signs. Some of the reporting has been exaggerated and ex-

For two weeks the army declared

large portions of the Gaza Strip off-limits to reporters and cameras

even while government officials

contended that the press was free to cover the story. The rationale was

that cameras often incite to vio-

lence demonstrators who want

their anger and their desperation

conveyed to Americans on the eve-

Lately, however, as the unrest

has begun to recede, the army has

tried to smother the press with kindness. A new information cen-

ter has been opened in Jerusalem.

operated 16 hours a day by military

spokesmen to provide daily up-

The center is working to give the

military a human face, offering

trips into the field with Israeli sol-

diers and interviews with some of

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ted States and France see e to Fand's suggestion !! ed two conditions: There consensus among the burn stries and the United States expansion of their navage in the Gulf, and the Gulfus 's would have to agree to me militarily in the new clint was an elegant evasion! the French and the Ames : sure that the Saudis works e to put Saudi frigats r to take on Iranian le asking the Western por ide more protection is i s themselves are sill it wolving their forces dies onfrontation with him. at is the reality here: ke and mirrors some see in the Pentagon are using f take it seem that the fare the Arabs are taking on \$ ly expanded military as ort of the United States

. Unlike Mr. Wenham ucci does not seem to ke smoke and mirrors. se other condition so h ac. for a Western consens. a hidden brake on Wester expansion. Mid-led II ch officials have contained in probably would not just m probably would de pursuing a sensus and is pursuing a policy that is more from te sign of this attitude the ning British support for it iations resolution senses
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the affectively to break per nove effectively to break ne Soviet stall on the sal this tangled ach of case ption. Mr. Carheo's care eved reassessment of the more in the Gulf is a party opment. Not trying to describe the is not likely to describe The Hashington Past EARS AGO

housands of manufactures housands of manufactured asoline engines for posses immediate action by the fent if the Standard Ul (of the standard of the Standard of the process of the output of the purpose of the output of the United Statistics of the feed with the statistics of the s no better course A feets in the price of the fuel of thousands of autom andon their machine. 8: Irish Unity Volt AST — On Feb. 9 the 10 nern Ireland will go to be to what they think of Estate in what they think of the state in the s

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Woman Gets Anglican Post Agence France Presse

LONDON - The Church of Englican synon's decision to allow didn't even know that," Mr. De gium," he says, "It's only tempo-women to enter the priesthood. Croo says. "ary that lasts." women to enter the priesthood. Croo says.

n Carluce Reagan Ends A Careful Rights of 4 Navigator Asia Nations

WASHINGTON - President Ronald Reagan, denying any pomtive intent, revoked on Friday duty-free privileges emoyed by Hong Kong, Singapore, South Ko-rea and Tarwan.

Moving on the recommendation of a cabinet-level committee, Mr. Reagan ordered the four Asian economic powers removed from a list of 141 developing countries that receive preferential treatment for exports to the United States Trade preferences for the four nations will be removed in January

1989, affecting nearly \$10 billion in exports to the United States. The action was the first time that any nation had been removed en-

tirely from the system, although in the past individual products have lost their special status. "This move should not be interpreted as penalizing" any of the nations, said Marlin Fitzwater, the White House spokesman. "On the

contrary, it reflects the great eco-nomic successes they have had. All four are good friends and valued trading partners." However, he said the system of trade preferences is designed to help emerging economies, and

merican officials who was a The United States meaning current tension to enable 528.8 billion trade deficit with the months of 1987, compared to a \$30.4 billion deficit for the same period with Western Europe, according to the Commerce Depart-

> Mr. Reagan's step, which fol-lowed a recommendation by the White House Economic Pla Council, was criticized by the Computer and Business Equipment Manufacturers Association.

> "We are losing a valuable tool in negotiations on intellectual property rights," said an association official, Charlotte LeGates.

copyrights for computer programs and other high technology in the Asian nations, particularly in South Korea, where piracy has been a problem in the past.

imports from the four countries have spiraled because of lower labor costs there and because the U.S. dollar has not depreciated against their correncies as much as it has against the Japanese ven and European currencies, trade offi-

A weaker dollar makes imports more expensive and U.S. goods cheaper abroad. Recent exchange rate changes have, for instance, nese goods. However, imports from the other four Asian trading part-ners generally have not seen such

For more than a year, Reagan administration officials have pressed the four nations to change their currency and trade policies.

The system of trade preferences permits the specified nations to export certain products to the United States either duty-free or at re-

duced duty... Meanwhile, other U.S. officials, who asked not to be identified, said Mr. Reagan was likely to act next week on \$105 million in proposed

sanctions against Brazil The sanctions are in retaliation for Brazil's refusal to permit imports of U.S. made computer soft-ware. U.S. officials have said in the past that the possible list of producis to get new tariffs includes Brazilian-made shoes, automobiles

and electronics equipment.

The U.S. trade representative,
Clayton K. Yentter, has recommended imposition of the sancmended imposition of the sanc-tions. But a final White House decision is being delayed, the sources said, because of negotiations in New York between Brazil and its creditors on refinancing its debt.

The more aggressive policy toward Brazil and the Asian nations comes as a House-Senate conferterprise system. ence committee resumes work on tough trade legislation.



FRENCH-BRITISH SUMMIT MEETING - Prime Minister Margaret Thatcher of Britain and President François Mitterrand of France during a news conference Friday, ending a one-day summit meeting in London. Mrs. Thatcher also met separately with the French prime minister. Jacques Chirac. The leaders agreed to increased military cooperation and backed the U.S. Soviet arms accord but failed to resolve differences over European Community spending.

help emerging economies, and when countries no longer need as-

By Barry James ul Herald Tribune British-Irish relations have been further strained as a result of the decision by a British appeals court to uphold the convictions of six Irishmen sentenced to life imprisonment for bombing two bars in Birmingham, England, in 1974.

"This has been a sad and disappointing week for Anglo-Irish relations," said Peter Barry, a former Irish foreign minister. Mr. Barry helped negotiate the 1985 British-Irish agreement that for the first time gave Ireland a consultative voice in the running of Northern

The industry group wants guarantees of greater protection of U.S. an announcement earlier in the week by the British attorney general, Sir Patrick Mayhew, that he would not prosecute Northern Ire-land police officers alleged to have carried out a "shoot to kill" policy after six republican sympathizers

"I would have thought that a decision to prosecute would be in the best interests of the Royal UIster Constabulary," he told the Dail, Ireland's parliament, "and that they would have welcomed action by the British authorities to uphold the principle that in a dem-

ocratic society the use of lethal

force by police must be the very last

The three-judge appeals panel declared "safe and satisfactory" the 1974 convictions of the six Irishmen for the tavern bombings, in which 21 people were killed and

160 injured. In commenting on the court's

lions of dollars have been laun-

In Dublin, Charles Haughey, the across the political and legal spec-lrish prime minister, decried that trum."

Gerry Collins, the Irish minister of justice said: "I am amazed and very saddened at the rejection of the appeal. A very wide volume of opinion believes these people are innocent.

The defendants, who have always maintained their innocence, claimed that their confessions had been beaten out of them by the police. They also questioned forensic evidence that suggested they had handled explosives.

"These men are innocent," said Edward Daly, the Roman Catholic bishop of Derry in Northern Ireland. "I am heartbroken for their

Both the appeals court verdict rejection of the appeal, an Irish and the decision not to prosecute government statement said the the Ulster policemen are likely to court had not removed Dublin's be raised at a meeting of the Britconcern that there had been a mis- ish-lrish conference, established by died in ambushes and roadblocks carriage of justice. It added, "This the 1985 accord, in Northern Ireis a concern which is shared right land next week.

PANAMA: Indictment Possible

banks."

ficking.

capital.

of inciting unrest.

flags as a sign of support

President Eric Arturo Delvalle.

(Continued from Page 1)

authorities in the hope of reducing

the time he must serve.

He described an extensive network involving General Noriega, his top associates in Panama's military and customs services, and transportation and banking officials in Panama. U.S. Customs officials who testi-

fied at the hearing said that finan-cial records from Mr. Kalish's office in Panama bolstered his

There would be no immediate practical effects if General Noriega were indicted. Under a bilateral 1904 extradition treaty, neither country is required to hand over one of its own citizens for extradi-

But an indictment could limit but fled to avoid arrest on charges General Noriega's ability to travel to third countries that might extra-dite him to the United States. "It would make him a pariah," one State Department official said.

■ Senator Attacks Noriega Senator Alfonse M. D'Amato predicted Friday that General Noriega would be indicted on drug-trafficking charges and accused him of turning Panama into a huge

Mr. D'Amato, a New York Republican and a frequent critic of the general, said in a television in-terview that General Noriega "has chief of staff, Colonel Roberto organized the entire army, and country, into this giant criminal en-

"He has been a major, major forcing the resignation of the na-factor in giving safe haven to drug tion's last elected president.

BULGARIA:

process has been Mr. Zhivkov. a Mr. D'Amato is co-chairman of folksy-mannered and astute politician who, though comparable politically to other elderly, en- tween Mr. Mubarak and his aides Narcotics Control and is considtrenched Communist rulers in and administration officials on ered an authority on the fight against international narcotics traf-Eastern Europe, has leaned toward ways to relaunch the peace process embracing rather than resisting Mr.

Exiles Return to Panama Mr. Zhivkov, who recently Five exiled opposition leaders rebragged that he had "the heart of a turned to Panama City on Thursday after four months in exile to continue efforts to oust General Noriega, United Press International reported from the Panamanian

Instead, the Bulgarian chief evidently plans to supervise the intro-duction of the limited market- Of based framework for the economy and decentralization of political administration favored by Mr.

home after the passage of a general amnesty law signed last month by "We are very proud to return to Panama," the Chamber of Commerce president, Aurelio Barria,

> campaign three years ago and now, in classic Stalinist fashion, is officially nonexistent.

and foreign trade instead of going through a central bureaucracy.

up the government and party apparatus has caused further troubles. Mr. Zhivkov admitted that "thousands" of resentful or uncertain officials had failed to take up the new posts assigned to them. Outlining the reforms at a party

ment. In his report this week, however,

Mr. Zhivkov stressed repeatedly that party control would not be

Israel's Other War: With Foreign Media

RAMALLAH, Israeli-Occupied West Bank — The television crews seemed to outnumber the soldiers on the winding, foggy streets of this

market town Friday morning. The soldiers moved from shop to shop ordering reluctant Arab merchants to open or prying open pad-locks and metal shutters with crowbars and sledgehammers.

Each patrol was followed by a amera crew, faithfully recording the harsh clang of hammers on metal, the grim determination on the faces of the young troops and the resigned, bitter expressions of the shopowners. At one point a young officer,

bemused by the video camera lurking constantly over his shoulder. took out his own camera and snapped shots of the television crew taking pictures of him. There are now between 600 and

700 foreign reporters, cameramen, soundmen, photographers, editors and television producers covering the seven-week wave of unrest in the occupied West Bank and Gaza Strip, according to the Israel's Goverament Press Office. That includes 250 to 300 journalists who are permanently based in Israel and another 350 to 400 who have been temporarily accredited during the violence.

They are beginning to step on each other, and on the story. Israeli officials call it "the other

war" — the propaganda struggle that Israel and its Palestinian foes have been waging inside the larger military struggle for control of the occupied territories.

For several weeks, Israel has been treated to saturation coverage from the cameras and front-page treatment in the press.

By David B. Ottaway

Washington Past Service

State George P. Shultz called Fri-

day for "a new blend of approach-

es" to get the deadlocked Middle

East peace process moving amid

indications that the visit to Wash-

ington by President Hosni Mu-

barak of Egypt failed to arrive at

any agreement on a new initiative.

at the State Department, Mr.

Shultz said, "I believe we have

come to the point where illusions

about the past and old approaches

to resolve the problems need to be

what's best from past experience

and what's imaginative from the

present," he said, "and create a new

blend of approaches for pursuing

Mr. Shultz's comments came af-

ter three days of discussions be-

in a bid to end the violence in the

peace in the Middle East."

Israeli-occupied territories.

We must find a way to take

tested against the new realities."

At a luncheon for Mr. Mubarak

WASHINGTON -- Secretary of

Government Eases Limits

JERUSALEM - Israel eased some restrictions in the occupied West Bank and Gaza Strip in a conciliatory move Friday after its "iron fist" policy largely crushed seven weeks of Palestinian unrest.

Some scattered protests, but no major incidents, were reported in the occupied territories. Police and paramilitary border guards staged a huge show of force in Jerusalem to prevent violence after Friday Moslem prayers on Temple

The government announced a series of small steps — the release of 100 prisoners in the Gaza Strip, the jailing of sol-diers for excessive beating, steps to ease Palestinian family reunification and an increase in

Officials, who are at times hardpressed to justify some of the scenes the cameras capture, profess to see a degree of anti-Israeli bias, of media men and machines.

said Harry Wall, director of the the Temple Mount in Jerusalem local office of the Anti-Defamation League of Bnai Brith.

The cameras have been on the

diplomatic moves to open negotiations gathered pace.

In several parts of the West Bank and in Gaza City, minor incidents flared after noon prayers with youths blocking roads and throwing stones at soldiers, who responded by firng tear gas.

In Jerusalem, near the Mosque of Omar, some men, hidden by trees, burned a flag they had drawn on a piece of paper, police said. They said it was not possible to say which national emblem was involved.

An army commander said on Israel Radio that several of his men had been imprisoned for 28 days for excessive beatings and were being held in the same Gaza prison as Palestinian riot-

even anti-Semitism, in the invasion ing crowd and soldiers tying an

the slums of Rio de Janeiro the way sion screens and to refocus world you cover the refugee camps here?" an army spokesman named Danny Palestinians and their Israeli rulers. asked reporters.

"The Israeli feeling that the world is against them is being fed

by the enormity of the coverage,"

scene since the beginning.

plans would remain useless "if they

do not find an expression in ac-

Mr. Mubarak said he had lis-

tened "carefully and attentively" to

the "new ideas" proposed by the

Neither side indicated what

these "new ideas" were. But in an

interview Thursday with The Asso-

ciated Press, Prime Minister Yitz-

hak Shamir of Israel said the talks

in Washington had concentrated

on the question of substance, not

mainly at finding an interim solu-

tion allowing for local autonomy of

the Israeli-occupied West Bank

Such a solution, he said, would

procedure" and were aimed

administration.

and Gaza Strip.

Israeli troops opening fire on rioters armed with stones, a lone plainclothes security agent spraying machine gun rounds into a flee-Arab man to their ieeo to serve as a "Why don't you cover riots in human shield. All this helped Bangladesh or the dispossessed in thrust this story on Western televi-

> The Israeli government was not pleased when television broadcast scenes of Jerusalem police hurling tear-gas canisters into a mosque on two weeks ago side by side with a blanket denial from cabinet ministers that such an action had taken

the army's articulate and motivated attention on the predicament of the But problems still arise. Defense Minister Yitzhak Rabin announced a policy 10 days ago of "force, power and beatings" and Palestinians and United Nations officials alleged that hundreds of

broken bones and other injuries en-Some officials blamed the press, saying reporters had misinterpret-ed Mr. Rabin's hardline statements - he had intended that only alleged rioters be hit during violent **Shultz Urges New Tactics in Mideast** incidents, they said - and had exaggerated the number of beatings that followed.

Two camera crews were themhere, Mr. Mubarak sought to con-vince a skeptical administration vid accords signed by Israel, Egypt selves roughed up by soldiers while attempting to film assaults on civiland Congress to support a United and the United States but never ians in Ramallah and Gaza City.

> The army apologized after both incidents, but a former government information director, Zeev Chafets, author of a book critical of media coverage of Israel, warned the army against sanctioning a "policy of terror" against the press similar to that he said had been conducted by Syria and the Palestine Liberation

Nations-sponsored international implemented, Mr. Shamir said he peace conference as an umbrella was willing to discuss possible for direct Arab-Israeli negotia- changes in those accords. But Mr. Mubarak told congressional delegations he met Thursday Mr. Shultz, in a veiled reference

that he thought the Camp David

now "a dead letter" and "an idea

whose time has past," according to

to continuing U.S. doubts about that he thought the Camp David this approach, warned that good provisions for local autonomy were

one congressional source.

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BELGIUM: Nation at Home in the Middle of Things the Beigian state." says Herman De Selling Beigium to a people con-

pluralism, a middle-of-the-road attitude that justifies Belgium's claim to be the Crossroads of Europe. Ou the other hand, middelmatisme. suggests a certain anonymity, a lack of image. "In statistical sur- 2,000 years." veys we are always in the middle. The country, Mr. De Croo adds,

"When we were nine in the Common Market we were always between the top four and the bottom difficult thing to sell." four. When we became 11 it was no Although Belgium's image re-

not only hard to sell abroad but, says Jacques de Lausnay, an adverworse, extremely difficult to sell at home. The Beigian's allegiances, Belgians say, are to his household

the forgotten land," one marketing can only be seen in shades and curves, not in bright colors and sharp angles. "It is very confusing," he says, "and confusion is a very pealing."

Making a virtue out of the coun-

mains diffuse, its products sell very well. "Per capita, we are the world tising man. His agency is working with Mr. De Croo's ministry to make Belgians more aware of their and community, not to his country. achievements and thus more re-"The Belgians have always re- sponsive to the challenge when Eugarded the state as an invader, even ropean trade barriers fall in 1992. At the moment there is a danger that the Crossroads of Europe

might become just that: a thortion that Europe will be." oughfare for speedier and more aggressive nations.

Croo, minister of transport and tented with middelmatisme is not foreign trade. They all like to strip easy, Mr. de Lausnay says. Telling the state; every Belgian likes to them we are the No. 1 carpet manu-hold up the state. It is shocking, but facturer or the No. 1 billiard-ball that is how we have survived for makers or the No. 2 world dredging power will not help because they do not feel concerned. Our belgitude makes us too oysterlike, too introvert, too diffident. We have not found a way to make ourselves ap-

try's lack of cohesion, a coffee-table book that government officials give to foreign visitors is called "Belgium: Unity of Diversity." Mr. Belgium's lack of a sense of na-leaders in foreign trade, but no one tional identity makes the country knows it, including the Belgians."

De Croo adds that Belgium's lack of a national identity can also be taken as a sign of flexibility.

"We are not as stratified as the Germans, not as obsessive as the Dutch," he says. "We don't have the superiority of the French or the nostalgia of the British, This quality of being adaptable because we have never adapted is a big card that we can play in the service na-

Belgium is already literally the capital of Europe since the seat of In December, Mr. De Croo the European Community is Brusgland on Thursday appointed its sponsored a trade fair called sels. But, Mr. De Croo points out, first woman dean, to oversee eight "Made in Belgium" that was inwriting paper from EC headquarrural parishes in southeast Entended as a consciousness-raising ters tends to be marked adresse rural parishes in southeast Entended as a consciousness-raising ters tends to be marked advesse media or anything else is meant,"
gland. The Reverend Indith Rose, event for the Belgian people. "They provisoire—temporary address. he said. "We should not and cannot 50, a former deaconess, was or- discovered they were selling two- "For almost 31 years a temporary retreat from the class and party dained last year following the An- thirds of their GNP abroad; they address - that's the resume of Bel- approach, from the requirements of

dealers and money launderers. Bil- Reform Troubles dered through Panamanian ... (Continued from Page 1)

Gorbachev's policies.

another Brezhnev favorite.

The group led a movement against General Noriega last June They were met at the airport by 200 supporters and taken in a mo-Gorbachev with careful attention the independent counsel's office torcade to Panama City. The route to the evolution of reform in Mos- and throughout the U.S. governwas lined by people waving white

> Union. While Mr. Zhivkov has as one put it, by allowing particicopied — a little haphazardly key economic initiatives from the legal explanation for their actions. Soviets and from Hungary, glasnost, or greater openness and debate in the media, culture and public life, has appeared only in isolated instances.

Calls for civil disobedience grew As for other veteran East Europeans, glasnost poses special Diaz Herrera, accused him of elecdiscussion of the failures of his long rule. Moreover, openness in Bulgaria would invite claim. threats to Mr. Zhivkov. Discussion toral fraud, conspiracy to assassinate an opposition politician and garia would invite claims by the country's one-million strong ethnic Turkish minority, which was subjected to a bloody assimilation

Despite the continuing political hard line, sympathetic Western diplomats say some real change has taken place in economic activity. In the past year most state companies have formed "self-management" bodies and held elections for managers, and many have been allowed 10 conduct their own business deals

Mr. Zhivkov's zeal for shaking

plenum in July, Mr. Zhivkov accused the apparatus of "uncontrollable omnipotence" and said that in the future the party would have to act "only as a political party" and not as dictator to the govern-

"Regardless of whether production, day-to-day relations, the mass

45-year-old," appears determined not to be propelled toward the retirement accepted last month by Gustav Husak of Czechoslovakia,

Throughout his official state visit be "more or less" along the lines

(Continued from Page 1) promoting peace in the Middle

Officials familiar with the independent counsel's investigation, stressing extreme sensitivity surrounding the memorandum within as lined by people waving white cow.

A sign of support.

Overall, the Bulgarian reforms

The exiles decided to return fall short of those in the Soviet could "bollix up the investigation," pants to try jointly to construct a

Although there is apparently no evidence that the attorney general was directly involved in the scheme, several officials in the Justice Department and other government agencies said the report of his inaction over the memo - if true -could force Mr. Meese to resign.

oil to the Red Sea port of Aqaba, Jordan, Mr. Wallach and others involved in the project are said to have sought the payment as a way to defuse Israeli opposition to the pipeline, such as a military attack

Some sources said that Shimon

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ister in 1985 and is now the foreign minister, was the official singled out for the bribe attempt. In the pipeline venture, many companies and individuals stood to gain by securing an Israeli pledge

Peres, who was Israel's prime min-

not to sabotage the project during the four or five years of operation needed to recover its cost. They include Bechtel and any of its U.S. competitors for rights to build the Another potential beneficiary was Mr. Rappaport, who agreed with Bechtel in 1985 to become a

partner in the project. Mr. Rappaport was to line up financing and security guarantees for the pipe-line, and his oil company was to sell the crude petroleum that would flow through the line. Mr. Rappaport brought Mr.

Wallach into the deal as an intermediary in his dealings with Bechtel, a Bechtel official told The New York Times last year. Reached in Geneva, Mr. Rappa port denied all knowledge of the

purported scheme to pay off an Israeli official. There was no such plan at all," he

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Paying the Earth for Lalique's Glass 'Objets'

PARIS — The cult of relics is hitting the art market. The moor distinction, their fortunes at auc-

The sale of glass from the René Lalique factory conducted Monday at the Hôtel Drouot offers the most extreme case I have witnessed. The auctioneer Hubert Le Blanc and the expert Felix Marcilhac, who wrote the catalogue, had one modest trump in their hand. The countcame from the estate of a man called Hector Favrat, a glassmaker who worked closely with Lalique to translate into glass Lalique's designs jotted down on paper.
Nothing is known about the pro-

the catalogue states, but an unprepieces that meant something to him trial pieces, rejects, even stocklying around in dark corners.

The sale catalogue, which will remain invaluable to art historians as a record of Favrat's activity, is ment a link is perceived between a the work of an expert who, by now, well-known name and objets d'art, even glass banbles of no great age anyone else. Marcilhac has been working for years on a catalogue raisonne which includes 3,000 en-

SOUREN MELIKIAN

tries and is due to appear in the fall. Unfortunately his entries, which seldom exceed 20 words, state type, medium and color, mention signatures, say if the piece was secialized, less powder boxes, scent bottles, and stop there except for references seals, brooches and sundry items to page and plate numbers of his teresting to the layman, shine by

If there is more than a Gallic touch of highbandedness to the outsider, Marcilhac, who has been cess that went on between the two. on the job for 25 years and knows It can only be surmised from some of the unfinished pieces among the 362 lots offered Monday. These were not exactly a "collection," as logue reached just about everybody who mattered to him. Laurens Tartentious accumulation made hap- tasky, the owner of Crystal Gallerhazardly by a craftsman who kept ies, came from Denver. A collector and specialist in scent bottles from Palm Desert, California, sat next to him. Bernard Danenberg, a New Yorker with a boutique at the Lou-

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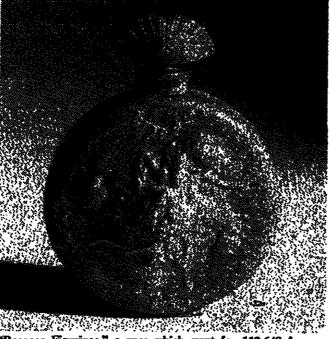
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BUSINESS &

MBA



"Rosaces Figurines," a vase which went for 112,648 francs.

"coquilles" (shells) by Lalique, is intermediate stage in artistic cremon in transparent glass, but ation. blue is an outstanding rarity.

tually he bought nearly 40 percent did the grotesquely small illustra-

vre des Antiquaires in Paris, was sale. With the arrival of lot 28, a there too, buying for a Japanese trial piece for the base of a bonbon-client. The result was spectacular.

From the moment Le Blanc ture had reached boiling point. The opened the proceedings, it was blue base, molded with swirling clear that the sale would go with a fishes (a cyprin is a type of carp), bang. The first piece, a blue glass multiplied Marcilhac's estimate 18 box seven centimeters (2.75 inches) times as it soared to 26,709 frames. in diameter was acquired by Dan- This unexpected figure reflects a enberg for 5,413 francs (about new museological approach to La-\$950), twice the estimate. Danen-lique's work — the piece is interestberg says the type of box, called ing for its documentary value as an late Lalique's ideas into plausible

There were some other striking Lot 3, a square box with the cases. With an ivory cylinder four image of a cat, went up to 7,060 centimeters high carved in high re-francs in the name of modernistic francs, four times the estimate, to lief with feminine and masculine research in the decorative arts. Danenberg again. This time, he figures, few were prepared for a Done around 1928, it is a watered says, the model is rare and his Japa-sensation. Marcilhae's 2,000-franc down reflection of Léger's earlier nese client did not have one. Even- estimate hardly suggested one, nor graphic work from the periode mein value of the 2.5-million-franc tion in the catalogue, so tiny that

berg got the ivory — for 77,080 francs — presumably because this catalogue is to be trusted, as a "study for a ring," but the cylinder was too narrow to allow a child's finger through Common sense tells you that the high relief figures would have broken the minute they were rapped on a hard surface. But common sense may not have

been Lalique's most distinctive feanire, as was shown by some bracelets from his Art Deco phase. Lalique, who never forgot his early days as a jewelry designer, tried to imitate in glass the visual effect of gems and precious metals. This inspired the yellow glass bracelet with angular projecting elements suggestive of a cog, hence its name "engrenage" (gearing). Danenberg, who got this for 23,312 francs, says it was meant to look like transparent gold. It certainly has the exag-. gerated faceting fashionable in gold jewelry at that time. The trou-ble is that when made of glass these facets have a nasty tendency to break with potentially dire consequences. According to Marcilhac, only four specimens were produced. The planned series was ditched to avoid further lethal cuts

A determined man, Lalique tried again and again. The sale included a thick red glass bracelet with small notches that give it the appearance of a miniature truck tire. The unfinished trial piece, 10 centimeters Favrat, the man who had to transpieces, must have kept the reject as a souvenir of art in the making. On Monday the miniature glass tire climbed to an amazing 28,974 research in the decorative arts. down reflection of Leger's earlier

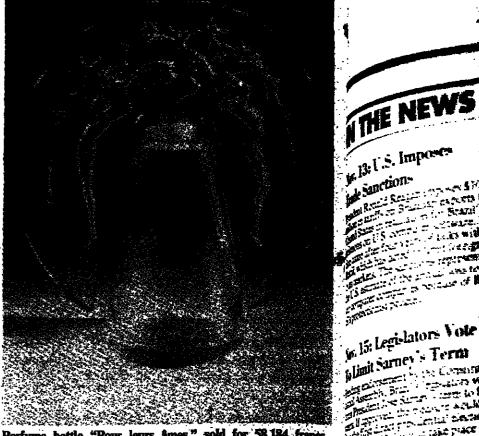
On the whole however, it was

sale. Lalique had no compunction is a unique trial piece, done, if the about trying his hand at every pos-catalogue is to be trusted, as a sible style. He was a designer anxions to satisfy his clients - which included such haute conture figures as Jeanne Lanvin. He executed a transparent glass seal with the Lanvin logo, which is shaped as a woman and child standing on a circular base stylized in the standard early Art Deco manner. That sold for 68,187 francs. When commissioned to do a scent bottle for Roger et Gallet, he promptly imitated Chinese snuff bottles - stylized parakeet, jade color and all, call for good measure "Le Jade." The master model, identified by a handwritten label, "modèle," zoomed to 25,011 francs, six times Marcilhac's

Another scent bottle, done for the d'Orsay firm, equally derivative in an entirely different vein, did better still. The glass shape is based on some Japanese stoneware vessel of the chaire type, while the two nude women coyly holding to the twigs of a blossoming tree are stock-in-trade motifs of the later 1900s. "Pour leurs ames," as it is called, whizzed to 58,184 francs. This brief world record for a

scent bottle by Lalique was beaten 15 minutes later by a bottle drawing its inspiration from a different repertoire. "Rosaces Figurines" is a vase of circular design with flat sides, a rectangular base and a low neck, which goes back to a Chinese porcelain model of the 18th century and, ultimately, to an early bronze prototype of the sixth century B.C. form a swastika design picked up from the ancient world.

highly popular model were pro- Blanc, who conducted his anction sold, 0.4 percent in value. Whoever duced in translucent glass. The in a very straightforward, unpre- heard of a financial crisis?



corn into smarm. The charming several years back complaining of

tasteful and affecting singers, tom of the Opera" stands to make "adored" the show and profited is a sensitive issue for creative peo-

from seeing it through the eyes of ple, so many of whom have strig-her two children — aged 7 and 10. gled in the past or continue to

piece from the Favrat estate has a tentious manner and is obviously mustardy gold patination of which eager to do the right thing, went Marcilhac knows only one other down very well with his America instance, which he says also be-attendance. longed to someone connected with the Lalique firm. These were essays market is interesting. There is pleathan never came to be commercially ty of money around, from Deiner on the sides, four women are modeled in low relief with great skill in a manner reminiscent of the 19th-century sculptor Carpeaux and his school. Their heads meet in the center as their bent bodies swint to content as their bent bodies swint to condent to produced. The mustardy scent too Paris to Tokyo, for objets d'ant to Paris to Tokyo, for objets d'

vulgarity of 'Superstar' has become

Von Stade, one of opera's more

The lesson for the international orado beat Japan at 112,648 francs. that they were not being kicked to For the French market, Mon- pay more, were willing to pay the Hundreds of specimens of this day's sale is a small triumph. Le earth. The sale left three lots un-

the unbearably saccharine quality.

says, the amount of money 'Phan-

ple, so many of whom have strig-

can't think of any serious composer

who would change places with

OF COURSE GEORGE KNEW

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▶ 22: Brazil Ready loPay First 1988 Interv

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mence is 18° million fraction.

Lloyd Webber's Opera Music Is Not So Phantastic times were corny, and corn in itself have a life of its own? Bolton it is not unhealthy. Well, 17 years ported having named off the least have passed and the chutzpah's vised performance of the Reign turned into commerce, and the em" after 20 minutes of listening

By Bernard Holland NEW YORK — What is the . New York Times Service

music of Andrew Lloyd Webber's "Phantom of the Opera" worth? Some composers and performers for whom songfulness is serious business responded this

Apparently, seeing is believing. erica von Stade, the heroine of the Metropolitan Opera's current run of "Pelléas et Mélisande," took her children to a preview and came away enthralled. Ned Rorem, the distinguished American composer celebrated especially for his vocal writing, has only heard the music via records. His disappointment is expressed in acid terms.

William Bolcom's conciliatory look at Lloyd Webber has a detachown remarkably broad career. Bolcom is not only the composer of as pianist with his wife, the singer Joan Morris, is also a subtle purveyor of American popular music. Bolcom — in New York for a

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such ambitious pieces as "Songs of Innocence and of Experience" but, Lloyd Webber's "Phantom": "The charming vulgarity of "Superstar' has become merely vulgarity."

'Can you really extract the music of Cavalli from all those cherubs and wires and machines and make it stand on its own? I don't think so. In shows like 'Anything Goes' at the Beaumont, it's the songs of the Beaumont, it's the songs of Cole Porter—their wonderful precision—that matter. The plot itself

Of East-West Music Making is pretty creaky."

Bolcom sees "Phantom" as sim-Introduces in February 1988 ply the latest phase in a lasting its new programme: he Master of Business Admini English rage for Italian opera, one Banking or Global Business. Top feesity. Taking enrolments now, Tel.: Deen of Administra 021/27 38 33 Or writer P.O. Box 2290 1002 Legations/Switzerland.

Bolcom and Morris afternoon at There's a lot of Puccini in Lloyd is not so pleased with "Phantom." been a real schism between the poptom" is a powerful score or simply a subsidiary prop in a larger spectadiff from 'Madama Butterfly."

There's a lot of Puccini in Lloyd is not so pleased with "Phantom." been a real schism between the poptom and opera worlds, and this kind of the control of the c

cle — music by which to watch
"The Phantom of the Opera."

"It's a lot like operas written in the late 17th century," he said.

"Can you walk to watch cally about Lloyd Webber's music music mental part of the said. "What it hem closer. It's a transitional style cally about Lloyd Webber's "Jesus in the infectious chutzpah of youth, of music."

But does Lloyd Webber's music mus

Sarah Caldwell, the artistic di-

rector of the Opera Company of

Boston who played the key role in organizing the cultural exchange, announced the details of the festi-

val program.

More than 285 Soviet dancers,

musicians, composers and poets from the Soviet Union and an

equal number from the United

States will be involved in the festi-

val. In October 1989, 200 American

artists are scheduled to visit Mos-

cow, and possibly Leningrad, for the Soviet half of the exchange.

Among the highlights is the U.S. premiere March 12 of the comic

opera "Dead Souls," by the Soviet composer Rodion Shchedrin. The

opera, to be directed by Caldwell,

is scheduled to be performed several times before the festival ends April 2. Shchedrin was Caldwell's counterpart in the Soviet Union in

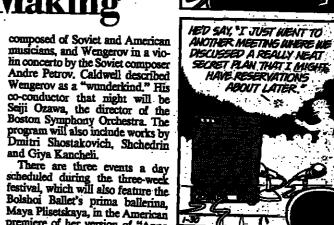
Bolshoi and Kirov operas will share the stage with American artists from the Opera Company of Bos-

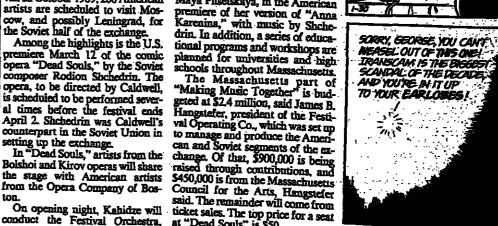
setting up the exchange.

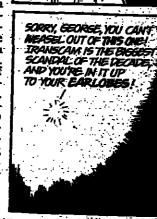
Boston Hosts First Round

certain canniness in the details the whole-tone scale for the new DOONESBURY opera, the fugal entries, the way scenes are structured musically. It's not the work of a primitive. There's "The former was a show-biz pas- and opera worlds, and this kind of











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formers starting March 11, will fea- composed of Soviet and American By Alan R. Gold ture the Soviet conductor Jansug Kahidze and the violinist Maxim

that stretches back almost 300 poston — Opening night of years. "It reminds you of William Making Music Together," a Vincent Wallace's pieces in the three-week arts festival to be staged 19th century," Bolcom said, here by American and Soviet per-

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Brazil's Uncertain Pat

IN THE NEWS

Nov. 13: U.S. Imposes Trade Sanctions

President Ronald Reagan imposes \$105 million in tariffs on Brazilian exports to the United States in retaliation for Brazil's re-strictions on U.S. computer software. The action came after four years of talks with Brazil, which has acted to limit foreign access to its markets. The sanctions represent the U.S. estimate of the annual loss to American computer companies because of Brazil's protectionist policies.

Nov. 15: Legislators Vote To Limit Sarney's Term

Pending endorsement by the Constitu-tional Assembly, Brazil's legislators vote to limit President José Sarney's term to four years. If approved, the measure would mean that the first direct presidential elections in Brazil since 1960 would take place in November. Opinion polls show that 80 percent of Brazilisms favor an election.

Jan. 3: Judge Orders Trial of Retired General

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A judge orders that a retired four-star general be tried for the 1982 murder of a journalist in what could become the first prosecution of a senior army officer since the return of civilian rule in 1985. The gener-al, Newton Cruz, whose last post was as military commander of Brasilia, was charged along with two aides with the killing of journalist Alexandre von Baumgarten, his

Jan. 5: Finance Minister **Announces Priorities**

Mailson da Nóbrega, an economist and longtime government official, is appointed fi-nance minister. He replaces Luiz Carlos orted having turned of the and Mr. Nobrega said he would give priority to reducing inflation and work toward reaching a quick accord with foreign creditors se the burden of the country's \$113 billion foreign debt.

Jan. 11: Debt Talks Begin In New York With Creditors

Brazil and its leading creditor banks, headed by Citicorp, begin talks in New York on restructuring the country's \$70 billion in medium- and long-term debt. Before the meeting, a Finance Ministry source announced that Brazil would seek a quick agreement with the IMF on its foreign debt and that it had dropped a long-standing demand that private banks first agree to a refinancing package.

Jan. 22: Brazil Ready To Pay First 1988 Interest

A Finance Ministry official announces that Brazil is ready to make an immediate payment of \$240 million toward its 1988 rest on debt to commercial banks.

Jan. 26: U.S. Protests Libyan Delegation Visit

The U.S. Embassy in Brasilia condemns the visit of a Libyan military delegation to prazil and denounces possible arms sales to Libya. The Libyan delegation is in Brazil to begin negotiations on an arms sale that could be worth more than \$2 billion. The embasty did not say it would take any action to prevent a weapons sale and the Brazilian Foreign Ministry refused to comment on the U.S. statement.

IN THIS REPORT

Shaping the Future 8

Brazil is searching for a new political model that can resolve some paralyzing contradic-tions between its First World economy and Third World society. Debate on constitu il issues is under way in Brasilia.

Auto Sales Slump

Last year Amelatina, the holding company representing Ford and Volkswagen, lost \$200 million and laid off 10,000 workers in the auto industry's worst year since 1971.

The Rural Poor

Deep rooted poverty in the 10 states that make up Brazil's Northeast poses the country's biggest social challenge. The question is thereis the political will to make the asteroive reforms that would eradicate the

Amazon Conflicts 11

The Tocantins bridge, which has opened up the Amazon region to hundreds of thousands of settlers, mining prospectors, ranchers and humbernen; has become a blood-stained landmark of social violence.

Oil Discovery

After a 30-year search, Petrobras, the state oil company, struck oil last year in the Amazon for the first time. Engineers said the proven reserve is 182 million barrels.



fire of inflation. To this day, inflation and its

various causes are the single most important

obstacle to sustained development, as it stifles

In the 1970s and early 1980s, wage indexa-

tion was the magic formula that concealed the

problem, but in the end the scramble of each

group to stay ahead showed that it was simply

a modus vivendi that did not confront funda-

mental problems. Freezing prices turned out to

Independently of governments and the vaga-

Continued on page 8

savings and productive investment.

Wanted: A Degree of Coherence In the Government's Policies

By Pedro Pablo Kuczynski

EW YORK — No visitor to São Paulo, Rio de Janeiro, or Belo Horizonte, no driver of a Volkswagen Fox, the highly rated Brazilian compact exported to the United States, no commuter airline passenger flying an Embraer, no soldier on the Iran-Iraq front in a Brazilian-made armored car can doubt that Brazil is indeed a major industrial power.

At the same time, the drag of poverty in the north and northeast, where about 50 million of Brazil's 140 million people live, and the blow of

VIEWPOINT

whether Brazil will always be the country of the

In the 30 years to 1980, when growth in Latin America started to wobble, Brazil, with one-third of the population of the region, accounted for almost two-thirds of its economic expansion. Income per capita quadrupled in real terms. Even though there was much discussion, especially in the 70s, about how evenly this prosperity was spread, the fact remains that Brazil has created a broad and strong middle class and that agriculture, a big provid-

PEDRO PABLO KUCZYNSKI is co-chairman of First Boston International and managing director of the First Boston Corporation. er of jobs in rural areas, was a major contribu- needed to promote greater energy indepentor to economic expansion. dence, meant that governments tended to keep Brazil thus avoided the mistake made by a loose rein on state enterprises. Their deficits, sometimes hidden from public view, stoked the

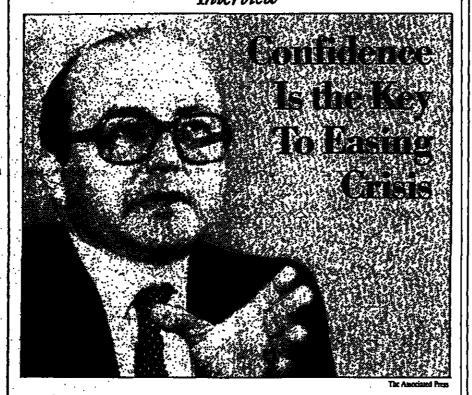
some other Latin American countries of trying to ram through industrialization while at the same time stunting purchasing power in the rural areas by keeping farm prices low for the benefit of the urban masses. Much of the credit for the strong economic

performance of the 60s and 70s must go to the institutionalized government system estab-lished by the armed forces in 1964. Instead of the classic caudillo type of autocracy that has been so prevalent in Latin America, the Brazilian armed forces created an institutional although highly centralized system of govern-

A basic tenet of the regime was to let civilian the debt crisis prompt the old question of professionals run matters that required technical competence. Another was that presidents were representative of the armed forces and should not be potential firebrands; indeed, most of the generals who succeeded one another regularly over 21 years were almost self-

> The stability and continuity of the military regime and a favorable international environment gave Brazil a golden age of industrialization, especially up to the first oil crisis of 1973-1974. The need to import almost 80 percent of oil needs at that time forced Brazil to borrow abroad on a large scale or else abandon growth. The foreign banks obliged, although with considerable hesitation during the two oil crises. The strain of keeping growth up despite the oil import constraint, and the huge investments

Interview



Brazil's new finance minister, Mailson Ferreira da Nóbrega, served as general secretary of finance under his predecessor, Luiz Carlos Bresser Pereira, who left office in December. Mr. Nóbrega spoke with Mac Margolis and William A. Orme Jr. on Jan. 14 in Brasilia. The following remarks were excerpted from the interview.

Q. You are the fourth finance minister in a little less than three years, and you have assumed office in conditions almost identical to your predecessors: inflation of about 14 percent a month, problems containing the delicit and problems with debt negotiations. How do you evaluate this moment?

A. I think the situation is now better, much better, than that which Mr. Bresser had to face when he took over [in April]. First of all, relative prices are in equilibrium, or relative equilibrium. There are still some gaps to be filled, some adjustments to be made, but the chaos that was prevailing at that time does not exist today.

Q. Mr. Minister, could you clarify Brazil's position toward the International Monetary Fund? Now, you have said your predecessor was never opposed to an agreement with the IMF. What he opposed was this mechanical, disbursements and meeting IMF targets. However, it's well known that that's exactly what your commercial creditors are asking for, automatic linkage. Isn't this the basic

A. No. I don't think so. What we have been saying here is that the IMF is important to make it feasible for Brazil to get access to other sources of financing. At the same time, we keep saying that we don't see any necessity for Brazil to sign first with the IMF as a precondition for a financing program with the banks. These were positions made by Minister Bresser that we are keeping. Of course, there is some resistance from the banks. Some banks state that linkage is essential, others say it's not. So, it's a matter of talking and discussion, but we are confident that eventually the banks will agree with us.

Q. A cynic might say that the question is academic, because even when countries like Argentina, Mexico and others have consistently overshot their IMF targets, it is very rare when banks actually do cut off their loans. After all, they are loaning in order to be paid back themselves. If that is true, why does it matter to Brazil?

A. Because it is important politically. There Continued on page 10

A Nationalist Tone

Faltering Economy Seeks a New Model

By William A. Orme Jr.

AO PAULO — Latin America's biggest industrial center displays few ap-parent signs of crisis. A 30-mile swath of skyline is broadening further with new office buildings and shopping centers. Fine ethnic restaurants are packed week nights. Highways are crowded with commuter traffic; the well-kept cars are virtually all locally manufactured, as is the molasses-redolent alcohol they burn.

Factories work overtime to fill overseas orders. The automotive industry, including Brazil's increasingly successful armored car manufacturers, tallied a record \$2.8 billion in export sales last year. Citrus concentrate plants here supplied most of the world's exports of frozen

São Paulo's Empresa Brasileira de Aeronauica, cited often as one of the best-run state companies anywhere, sold scores of sleek passenger aircraft to Europe and North America.

The farm country ringing the manufacturing district is planted with the lucrative soybeans that have displaced coffee as Brazil's leading agricultural export.

"São Paulo is the engine that makes Brazil go," a foreign diplomat said.

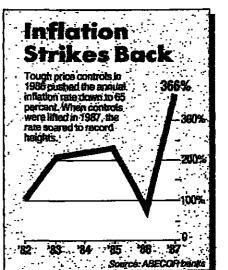
But Brazil's engine has been sputtering late-

ly. Greater São Paulo, with nearly half the country's installed industrial capacity, is suffering the same slowdown in private investment that has been plaguing most of the rest of Brazil for the past five years.

Underemployment is rising and real wages are falling, both for blue-collar factory workers and their college-educated supervisors. São Paulo wholesalers reported that staple-foods consumption dropped 25 percent in 1987's final quarter as compared with the same period a year earlier. Private school enrollment is declining; so are car sales.

For the first time, the middle class is being hit hard," said Larry Willmore, a United Nations economist who has specialized in Brazil for the past five years. "The economy is now in

WILLIAM A. ORME JR. contributes to The Economist and The Washington Post from Mex-



real recession, real decline, and it does not look like it is going to get out of it easily."

This painful end to the Brazilian "miracle" is

prompting a broad-ranging national debate over economic strategy and philosophy. Politicians, bankers and economists discuss debts and deficits nightly on television news shows; economic policy disagreements dominate con-gressional sessions in Brasilia and the opinion columns of the quality national press.

The often nationalist tone of these discussions has disturbed some foreign observers. While other Latin American economies are lowering barriers to trade and investment, Brazil has seemed to be veering toward greater protectionism. A nation whose hallmark has been pragmatism is examining economic policy in increasingly ideological terms. Symptomatic of this trend, critics say, are its ban on computer imports and moves to limit nascent industries such as mining to local capital.

Some economists warn of impending industrial obsolescence — what some call the inevitable "Argentinization" of Brazilian manufacturing if the government continues to restrict

Continued on page 8

Brazil enters the titanium

Brazil has gained entrance into the exclusive club frequented by producers of raw material for the titanium industry. Titanium is, like niobium, silicon and the rare earths, part of the Third Wave group of metals.

Titanium oxide is a multi-purpose product it is used for making paints and varnishes, yet it also is the raw material for titanium and essential to the aerospace industry which requires light, pure, resistant and low-cost metal alloys.

Usually, titanium oxide is mined from ilmenite and rutile, both of which are very rare in Brazil. However, in the seventies, CVRD Group geologists found rich reserves of an ore which until then had only been known on paper. anatase.

Thereupon followed twelve years of hard work. The company made surveys and invested twenty-five million dollars in the project. And its efforts paid off: it will produce over one billion tons of titanium concentrate from anatase extracted from its mines. To this end, it installed a pilot plant in the state of Minas Gerais which produced a mineral concentrate with a titanium oxide content above 90% which is considered of excellent quality by prestigious industries in

Companhia Vale do Rio Doce's income will top one hundred million dollars and it will produce 200,000 tons per year to meet the needs of the domestic and foreign markets.

The future has now come to Brazil in the shape of Third Wave metals.



Companhia Vale do Rio Doce

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Young Democracy Has Failed To Produce a Social Contract

By Juan de Onis

RASILIA — Brazil is searching for a new political model that can resolve some paralyzing contradictions between its First World economy and Third World soci-

The weak government of President José Sarney, beset by inflation and eroding popular support, has provided little leadership on shaping Brazil's future since it took office in 1985.

The task has fallen to a popularly elected Constitutional Assembly of 559 legislators. This body has been working erratically for nearly a year on a new constitution to provide a framework for

national development.

Clear signs of a halt in Brazil's economic growth has given new urgency to the political struggle over how this country's 140 million people should manage their huge economic potential.

Policies, such as heavy borrowing abroad, that have sustained Brazil's (percent annual development since World War II no longer work, Last February. Brazil halted interest payments to private foreign banks on \$68 billion in debt.

Populist income redistribution and price control measures, designed to boost internal demand, have been consumed by inflation, which is now at 16 percent a month. Huge deficits in state enterprises have undermined public investment, requeing stowth

"Until new rules of the game are defined Brazil is going to be marking time. This is going to be a lost year, said Francisco Gros, executive director of Aracruz Celulose, a Brazilian-owned pulp and paper company.

Voting on the constitution began at the end of January and will probably last until May since breaks for Carnival and

Easter will delay the outcome.

Two basic tendencies over the constitution are in opposition in Congress. A relatively conservative majority, called the Centrao, or Big Center, favors

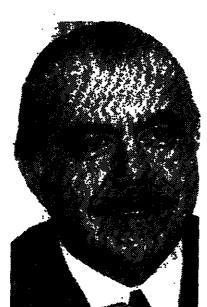
economically liberal principles that sup-

port national private enterprise, a market economy and selected foreign investments. The Centrao has backed a limited agrarian reform plan, excluding familyoperated farms; collective bargaining with unions on labor contracts; a 44-hour

workweek, instead of 48 hours, and severance pay for workers based on length of A militant leftist minority, skilled in parliamentary maneuvers, wants to adopt a constitution that follows a stateplanned socialist and ultra-nationalist

model. This group drafted the text that is

now being put to vote, and the Centrao



President José Sarney.

has to muster a majority of 280 votes to amend it.

The confrontation in the Constitutional Assembly over principles has become a struggle for personal power as well. The leftist minority reduced Mr. Samey's term from six years to four in the draft constitution in hope of forcing a direct, popular election for president this year.

Mr. Sarney, 57, who is in close contact with leaders of the Centrao, has fought back and believes that he has assembled enough votes to be assured of a five-year term. That would put off presidential elections until the fall of 1989.

Public opinion polls have shown that a wide majority wants elections this year. A delay until next year would mobilize powerful political protest.

Leonel Brizola, a populist former gov-ernor of Rio de Janeiro, has announced that he is a presidential candidate for this year. So has Luis Inacio da Silva, a former autoworker union leader who heads the Catholic left Workers' Party, a rising

The Brazilian Democratic Movement Party, which has a majority in Congress, is split over Mr. Sarney, although it has key ministers in the cabinet and 22 governorships. The left wing of the Democratic Movement wants a break with Mr. Sar-

ney and elections this year. Mr. Sarney's chances for a five-year term, when the vote comes, depend on the government's ability to control inflation while avoiding a recession and an increase in unemployment.

In early 1986, facing explosive infla-tion, Mr. Sarney launched a price-and-

wage control plan, with a monetary re-form that temporarily stabilized the cruzado. Initially, this was very popular, but the plan collapsed because Mr. Sarney failed to reduce public deficits and spent Brazil's foreign reserves on import-ing consumer goods. This led to the debt

"That sleight of hand can't be repeated now. This time, Sarney will have to save himself by an orthodox dose of financial austerity," said Senator Roberto Campos, a champion of the liberal econo-

But austerity that cripples growth is politically dangerous for Mr. Samey. A country that has to generate employment for three million new job-seekers each year cannot stop growing for very long without risking social conflict and politi-

erful private business sectors, as well as political parties and other forces that nfluence public decisions, such as the armed forces, the Roman Catholic Church and the independent media and

Antonio Ermirio de Morães, a São Paulo industrial tycoon, is the biggest producer of cement and aluminum prodacts in Brazil. He was an outspoken supporter of a return to democratic rule in 1985 and harbors ambitions to be a candidate for president.

In an interview in O Estado de São Paulo in December, Mr. de Morães said:

"For 10 years we spoke badly of the dictatorship, asking for the return of democracy. The blunders of the new gov-emment have been so great that they have become a catalyst for the return of an authoritarian government. It is sad because an authoritarian government is not the solution. But it would be no

After 20 years of authoritarian military rule, Brazil restored an open, democratic system in 1985. Congress elected Tan-credo Neves, a moderate opposition leader, as president.

Many Brazilians thought the election of Mr. Neves and a strengthened Congress would solve problems and provide empetent leadership. The result has been just the opposite.

Mr. Neves died before taking office.

The presidency went to Mr. Sarney, a former governor of Maranhão, a small northeastern state, because he had been selected vice president in a political deal. Mr. Sarney lacked Mr. Neves's popular support and anthority over the major governing party, the Brazilian Democrat-

The armed forces, led by General Leonidas Pires Gonçalves, the army minister, backed the Neves election and have shown no desire to displace Mr. Sarney.

Constitutional Issues at a Glance

The debate on the draft constitution in Brasilia has centered on the following issues:

System of government

An amendment creating a parliamentary government, led by a prime minister, is in the text adopted by the General Commission of the Assembly. This would reduce the president to chief of state, with limited powers, and increase congressional power.

Length of President José Samey's term The draft text establishes a four-year presidential term in the general articles. The present constitution fixes a six-year term. A transitory article terminates Mr. Samey's present term on March 15, 1989. This would require a direct presidential election this year.

The draft says that farm land can be expropriated in the "social interest" with payment in long-term agrarian bonds, when the property does not meet standards of "rational use" and environmental protection. Family-operated farms are exempted.

Industrial protectionism and technology development The text contains the nationalist criterion that defines the Brazilian market as a "national patrimony" reserved to Brazilian companies. An amendment softens the criterion of a "Brazilian company" to allow foreign capital participation.

State monopoly on petroleum

The text extends the existing monopoly in favor of Petrobras, the state company, to include distribution of products, which would eliminate private filling stations. The text also would terminate "risk contracts" under which private oil companies can explore for oil under contract with Petrobrás.

Job stability

The text guarantees workers against "unmativated dismissal." Employer organizations as well as some union leaders have testified that the proposed change would generate massive dismissals and job instablity. An amendment would guarantee severance pay, based on length of service, for termination of a work contract.

The text increases the share of states and municipalities in general tax revenues. Mr. Samey has said the text is unworkable.

The military leaders say they are "consti-

For many political scientists, such as Helio Jaguaribe, the problem is not Mr. Sarney, but the fact that the democratic process has not produced a national majority that can agree on a "social contract" on which to build a fully modern

Mr. Jaguaribe said he thinks a new election would help define the areas of

Others argue that the presidential system concentrates too much power without safeguards against corruption, and support a parliamentary system of gov-ernment. The Constitutional Assembly will vote on such a proposal. Brazil is one year away from celebrat-

ing the centennial of the overthrow of a ereditary monarchy.

The revolutionaries of 1889 founded a presidential republic that has been shaken by military coups, a corporativist dictatorship under Getúlio Vargas, presidential suicides and resignations. In the

past 30 years, there was one successful democratic period under the late Jusce-lino Kubitschek (1956-1960).

The challenges to democratic govern-ment now are basically social inequality and weak political institutions. Political parties are unstable, lack a doctrinary base and are discredited by corruption.

In the creation of wealth, Brazil has achieved the production of \$250 billion a year in goods and services, making it the 10th largest economy in the world. However, tens of millions suffer from maluntrition, sickness and illiteracy and have only primitive housing. Most families live on incomes of less than \$80 a month. In the distribution of wealth, Brazil remains a country more of rags than

JUAN DE ONIS, a journalist based in Brazil, contributes regularly to the Interna-tional Herald Tribune on Latin American affairs. He is writing a book on Amazonia for the Twentieth Century Fund.

Wanted: A Degree Of Coherence in Government Policy

Continued from page 7

ries of economic crises. Brazil has two major features that are fundamental for its future prospects: size and a sense of national pur-

With a \$275 billion gross national product and an area larger than the continental United States, there is no doubt about the size. A strong sense of purpose may appear surprising in a multiracial society, but Brazil has over its history managed to create a nationally unified society with racial tolerance. Social and economic tensions exist, but the historic divisions visible in many other societies, industrial and developing, are not evident. This fosters a tolerance to innovation and an aversion to traditionalism that is healthy for development. Add to this a strong entrepreneurial class.

A third factor often cited is the abundance of physical resources, from water and hydroelectric sites to mineral wealth. The successes of Japan and Switzerland, however er, cast doubt on whether physical resources are really such a critical factor. Nonetheless, resources plus promotional policies to deveiop them have played a dynamic role in growth.

In the last five years alone, which were years of economic crisis, steel production went up 50 percent, coal 35 percent, crude oil 200 percent, aluminum 180 percent, and raw paper pulp 50 per-cent. In steel, aluminum and tin, Brazil in the last 10 years has become a major factor in world markets. The successes of Petrobras in building up domestic oil production, which now accounts for more than 60 percent of consumption, make Brazil far less vulnerable today than it was in the 70s to an eventual increase in world oil prices. Despite a depressed domestic market, vehicle production in the period 1982-1986 went up 60 percent, with most of the growth going into exports.

What, then, is missing? More than anything, coherence and contimuity in government policies. A night, when the government challenge facing sleeps. In that sense, Brazil is comparable to the Italy of some destalled in 1985.

cades ago: apparent political tur-moil at the top but a vibrant economy underneath. Yet basic reforms are needed.

First, an accommodation must be found with Brazil's creditors. involving, on the side of Brazil, a credible economic program, predictability in debt servicing and a viable debt equity conversion program. The bank creditors, for their part, must grant major concessions to permit the conversion of part of the debt into longer-term lower-cost obligations.

Second, as a player in the big leagues of world trade, Brazil urgently needs to develop a more flexible and less protectionist trade policy: For example, as jus-tified as the policy of lostering a domestic informatics industry is. one cannot expect the United States to import cars, planes and orange juice from Brazil — all of which compete with U.S.-made products - while advanced U.S. industries are shut out of parts of the Brazilian market.

HIRD, and most important, the state sector must be reined in. In the words of Alan Riding of The New York Times (Dec. 20): "Since the Latin American debt crisis began, the state's role has changed from one of stimulating growth to one of living off the rest of the economy." More than 500 mostly deficit-ridden state enterprises vie with penurious state governments to get a share of a shrinking federal pie. Five large state enterprises alone, in electricity, steel and railroads, are projected to lose \$3 billion in 1988.

A ponderous bureaucracy combined with politics slows investment decisions and can cause economic havoc where price controls are involved, as in the dispute between the government and Auto-latina, the Ford-Volkswagen joint venture, over the unfreezing of car prices in October 1987. Despite the hitches, Brazil is

growing. To make it a sustained and continuous effort, a modicum of consensus and good government is required. With that, Brazil would indeed be a major industrial power in the world by the early saying goes that Brazil grows at 21st century. That is the great challenge facing the democratic form of government that was in-

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Faltering Economy Seeks a Model

Continued from page 7

foreign capital and technology. While tradi-tional heavy industries prospered behind Brazil's protectionist walls, the new high-tech service age demands international financial integration, first-rate technical training and access to proprietary technology, they argue.

The technological factor is forcing us to forget everything we ever knew about national-ism," said Carlos Alberto Primo Braga, an economist at the University of São Paulo. This is very difficult for a society like Bra-

Yet Brazil's recent exporting success — sales doubled in a decade to \$26 billion last year is seen by others as driving it inexorably toward trade liberalization and technological modernization, if only out of fear of losing the markets on which it increasingly depends. "This is the single most important question

that we face today in Brazil and in Latin America — the issue of our development model," said a high-ranking adviser to President José Sarney. The import-substitution model may be exhausted but the question is, what model should we put in its place?"

The debate is hardly academic, For two decades the lastest growing economy in the developing world, Brazil was stopped cold in the early 1980s as rising foreign debt and oil bills triggered the country's worst recession.

It was then dangerously overheated by the 1986 Cruzado Plan, a bold but badly implemented anti-inflation program that froze prices, boosted wages and lopped three zeroes off the currency. Now the economy is again stagnating, with prospects of record consumer price rises and zero per capita income growth

Advocates of such shock therapy warned at the time that the Cruzado Plan would work only if accompanied by profound fiscal re-forms, including increases in taxes and public sector prices. But the government's "opera-tional" deficit, not including inflation-distort-ed domestic debt financing, was reduced only slightly to 3.7 percent of gross domestic prod-uct, down from 4.3 percent in 1985. The deficit tree to nearly 7 percent of GDP in 1987 and is rose to nearly 7 percent of GDP in 1987 and is projected unofficially at 5 percent of GDP this

"The Cruzado Plan was a lost opportunity," said Mailson da Nóbrega, who in January became Brazil's fourth finance minister in

"The president has indicated that he will support a suitable austerity program," including a "very tight monetary policy," Mr. Nobrega said. But such adjustments must be gradual, he stressed. "It is more important to rebuild confidence than it is to bring down inflation quickly," he said.

The balanced operational budget that economists say is needed to brake inflation may be politically feasible only after a new government takes power, many observers assert.

"Economists are predicting a recession this year because of government spending cuts, but I disagree with that viewpoint," said Romen Chap Chap, the owner of one of São Paulo's biggest construction firms. The government is getting close to elections, and there are 4,300 municipalities out there asking for bridges and schools and sewer systems. The only way the government can get the support it wants is by spending money. This is political reality."

Chap Chap smiled, his right hand cranking an an interview. The banks can say that they imaginary printing press.

burst back with a vengeance. Consumer prices in early 1987 soured more than 21 percent monthly until a second shock program slowed inflation again, but at the cost of a temporary recession. Last year's consumer price index still rose 390 percent, a Brazilian record,

Optimists, among them government economists, believe inflation can be held to 300 percent in 1988, but most forecasters predict a record price rise in the 400 percent to 500

Brazil 'should practice a kind of demagogy of austerity.

Foreign automakers, Brazil's largest source of foreign investment and manufacturing ex-port income, say the combination of rising inflation, strict price controls and an overval-ued official exchange rate is forcing them to scale back export production.

Investor hesitancy has been exacerbated by the seesawing debate over the timing and advisability of new presidential elections and, far more importantly, the shape of the new constitution. In draft form, the proposed constitution has unnerved business leaders with its detailed labor code and restrictions on domes-

Adding to this is the long shadow cast by Brazil's \$114 billion foreign debt, the Third World's largest. One year ago, Brazil shocked creditors by cutting off payments on the \$68 billion that the payerment outer to make billion that the government owes to private foreign banks. With foreign reserves dwindling to less than \$3 billion, about a quarter of what Brazil minimally needs, and industrial output and consumer consumption faltering at home, the government could no longer afford interest

The payments cutoff drew criticism at home as well as abroad. It postponed more than \$4 billion in scheduled 1987 interest outlays. But opponents contended it cost the country up to \$1 billion in lost trade credits, plus billions more from the high bank fees and profit marting the billions and profit marting the billions of the billions which the billions that t gins that Brazil was paying from past debt contracts, without exacting substantive repayment concessions.

ment concessions.

After refusing to sign a loan-triggering economic reform accord with the International Monetary Fund and demanding the discounted conversion of commercial debts into long-term government bonds, Brazil is now reopening talks with the IMF and seeking a private bridge loan that would be the first step toward renewing full debt servicing.

Luiz Carlos Bresser Pereira, who took office last April as finance minister after the February 1987 moratorium only to resign after losing a fight for higher taxes a few months later, still

a light for higher taxes a few months later, still defends the government's defiant debt stance. "I wanted to stress clearly to creditors that And where will the money come from? Mr. we need a new system for the debt," he said in

have political problems with their governments When the Cruzado Plan collapsed, inflation and shareholders, but I also had political problems. How can you justify a net capital outflow when your economy isn't growing?"

Mr. Nobrega's more conciliatory position— he said Brazil needs IMF aid despite the political "trauma" it arouses and wants a "negotiated solution" with creditors — has been praised ed solution with creations — has ocen praised by foreign bankers and by conservative Brazil-ian economists and businessmen. But Mr. No-brega, like Mr. Bresser Pereira before him, is adament that debt repayment must not inter-fere with Brazil's pressing need for renewed

Brazil's definition of an economic slowdown is different from the rest of the world's: Last year's 3.5 percent growth was called a recession in some quarters. But such a rate barely keeps pace with the growth of its population, which at 140 million is already the world's sixth

And Brazil compares itself not with other countries so much as with its own past. In most of the 1960s and 1970s, it averaged better than 7 percent annual growth, with the expansion hitting 12 percent in 1972 and 14 percent in

Brazil entered the 1980s facing the unfamiliar specter of negative growth. The economy shrank a drastic 3.4 percent in 1981, the consequence of rising oil bills. In 1982, it registered 0.9 percent growth, and in 1983 the economy contracted again, this time by 2.5 percent. By mid-decade, growth charged back to 8 percent, but with the Cruzado Plan's collapse per capita income stopped growing again.

"Officials are very worried about the effects of a prolonged recession on a country that has had 7 percent to 8 percent real growth for the past 20 years," said Carlos Langoni, a former central bank president.

A fiscal conservative and vocal proponent of foreign investment, Mr. Langoni is among the many members of the Brazilian financial establishment who consider foreign debt relief essential to economic recovery. Equally important, though, he argues, are reductions in pub-lic spending — the central cause of Brazil's "economic disequilibrium."

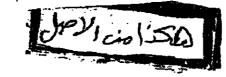
ANY analysts say there is a growing popular sentiment that the government is bureaucratically and financially overextended. They also detect increasing consumer awareness of the benefits to the pocketbook of a less sheltered and regulated economy.

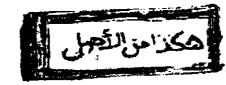
"The government should practice a kind of demagogy of ansterity," conservative Senator Roberto Campos said. "People are ready for it. Privatization and deregulation are needed much more urgently here than in Great Britain or the United States."

Other politicians, however, doubt the public's willingness to tolerate the slow growth and high public service costs that austerity policies necessarily imply. Protracted economic hardship could undermine Brazil's emerging democracy and, consequently, jeopardize its chances of transforming itself into a modern industrial society many Brazilians fear

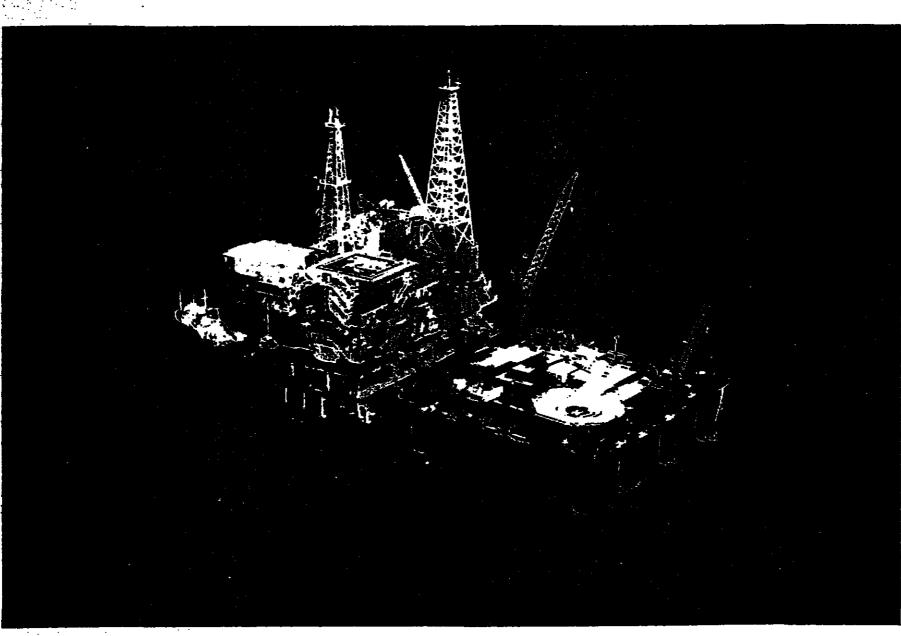
industrial society, many Brazilians fear. Business analysts generally remain confident that Brazil's natural entrepreneurial vigor assures it a positive future.

Brazil finished 1987 with a solid \$11.2 billion. trade surplus, up 33 percent from 1986—a sign to many of the economy's underlying





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'Last year was the worst result in more than a decade.'

By Mac Margolis

AO PAULO - One of the celebrated axioms of modern Brazil is that its entrepreneurs have traditionally been able to cope, and some even to thrive, in times of runaway prices and despite chronic overhauls of the economy.

Like a high wire act, doing business at triple-digit levels of inflation was always risky, but a plain and fairly predictable set of rules of economic life, such as price indexing, or ratcheting prices and wages to inflation, served as a balancing bar against disasters.

But in recent times, Brazil's acrobat impresarios have

been stumped. In a little less than three years, they have negotiated with four different finance ministers, swallowed two price freezes, weathered a record-breaking 365 percent inflation. Almost every trimester, they have been buffeted by government-decreed economic reform pack-

ages.

The country's automobile manufacturers, who form the core of São Paulo's industrial belt and whose multimillion-dollar investments hinge on steady signals from Brasilia, have arguably been among the most acutely

affected by the changing economic winds.

Last year, virtually all of the 22 manufacturers of cars, trucks and tractors ended up with heavy losses on their balance sheets. Fiat, which in 1986 made \$60 million in profits, lost money. The sector's leader, Autolatina, the giant holding company representing Ford and Volks-wagen, lost an estimated \$200 million and laid off 10,000

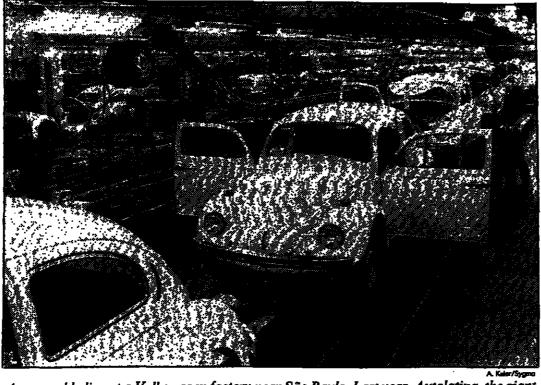
"Last year was a disaster," said André Beer, president of the National Association of Automotive Manufacturers, Anfavea. "This was the worst result in more than a

In fact, last year's production of 581,000 units was the industry's worst performance since 1971, just before the

Automobile officials point to a panoply of problems: unrealistic price caps, stiff taxes, strikes, lack of clear rules on foreign investment and an economy still recling from the effects of the 10-month price freeze carried out under the Cruzado Plan.

Robert Stone, president of General Motors do Brasil, explained the curious arithmetic of making cars in Brazil. "From November 1986 until the end of 1987, automobiles had price readjustments of 490 percent. In the same period, we had about 338 percent inflation, and average salary increases of 284.5 percent," he wrote in a recent

Although these prices were out of reach of consumers, he continued, "they were still insufficient to cover indus-



An assembly line at a Volkswagen factory near São Paulo. Last year, Autolatina, the giant holding company representing Ford and Volkswagen, lost an estimated \$200 million.

try costs, much less to guarantee profit, the oxygen cessary for the sector to invest and grow."

In their battle with the government over pricing, the automobile manufacturers cajoled, complained and threatened the government. Autolatina even staged a lockout, shutting its plants for almost a week, after the government granted a price increase below what the dustry asked in October.

Then, in November, the company rejected government ilings and set its own prices.

Wayne Booker, vice president of Autolatina, defended the action, saying, "We were operating within our legal rights." He invoked a previous price accord signed by former Finance Minister Dilson Funaro.

Luiz Carlos Bresser Pereira, Mr. Funaro's successor as finance minister, disagreed. He condemned the company's action as "blatant civil disobedience" and blamed utolatina's losses on "bad business."

The dispute is now in the Brazilian Supreme Court, where a verdict is expected in February.

Another factor in the industry's poor performance last year was heightened labor activism, sparked by average wage adjustments below inflation. The entire automobile

lustry was beset with strikes and assembly line slowdowns that reduced production by 50,000 vehicles.

But the principal complaint of manufacturers is the steep excise tax on cars. Through most of last year, taxes sented a staggering 73 percent of new car prices. It took a dealer's strike to reduce the tax bite to 40 percent, still "the highest in the world," according to Mr. Beer. But not all was gloomy in 1987. In fact, at least since the 1982 debt crisis, one of the remarkable features of the

economy has been the ability of the export sector to spond when the home market goes sour. While sales at home plunged, Brazil managed to export a record 344,000 vehicles, principally to the United States, Europe and the Middle East. All told, automobiles and autoparts accounted for almost \$4 billion in

trade revenues, or 15 percent of total exports.

The Volkswagen Fox, a medium-priced passenger car, has found ready buyers in the United States, and the

company signed a contract to deliver 100,000 Passat "Fortunately, we do not export taxes," Mr. Beer said,

explaining the competitiveness of the export models.

Most industry officials say that the automobile industry is at a crossroads. Since 1956, when the industry began under a development drive by President Juscelino Kubitschek, Brazil has produced almost 18 million vehicles. There is now one car for every 14 Brazilians. The 22 manufacturers of cars, tractors and trucks rank 11th

among world automobile exporters. Brazil has also been one of the fastest growing automobile producers.

However, the industry's capacity, currently a million vehicles a year, has remained static for more than 10 years. To attend a growing population, Brazil needs massive investments and plant expansion.

Despite signs of an economic downturn, General Moors announced in January a \$200 million investment in a new model, the Kadett, and other companies have also cheduled modest investments.

However, industry officials say that future growth hinges on clear rules for investment and pricing and on relaxing controls on technology transfer and trade.

Due to Brazil's tightly controlled informatics policy. which severely restricts imports of microcomputer products, manufacturers are in the curious and costly predicament of having to produce two standards of car: one state-of-the-art vehicle for export only, and another humbler model for the home market. Brazilians are deprived of such features as electronically controlled anti-skid devices and pollution control apparatuses that are standard overseas

We're at a critical time in 1988. Investments in the automobile industry are long-term commitments," said Mr. Booker of Autolatina. "We'll be sitting down with the government and discussing which direction they'll be

MAC MARGOLIS is a Rio de Janeiro-based correspon-

Northeast's Poverty Poses Primary Social Challenge

By William A. Orme Jr.

IO DE JANEIRO - The dusty scrublands of Brazil's equatorial shoulder can seem like another country — the landscape is arid and populated instead of wild and lush, the people are often more Amerindian than African or European, the poverty is rural rather than urban.
But it is not another country. Its

emigrants fill the favelas, or slums, of Brazil's south. It is the home turf of the most powerful bloc of radical bishops in the Roman Catholic Church, a group that aggressively champions the cause of the poorest of the poor. Remote as it may seem from the industrial corridors of Rio and São Paulo, it is an area that some Brazilians say could determine their country's future.

Brazil today is shaping a new con-stitution and political future. The success of this experiment, some suggest, may be judged a generation from now on whether it confronted Brazil's biggest social challenge: the deep-rooted impoverishment of the 10 states known collectively as the

The Northeast is a national question, not a local question, said Helio Jaguaribe, who analyzed national income disparities in a recent report called "Brazil 2000."

If the stark inequities represented by the Northeast are not resolved, he warned, Brazil could be torn apart. We could be faced with the sad alternatives of a fascistic regression to a sort of 'social apartheid,' or a radicalization of younger army offi-cers leading to the imposition of Ethiopian-style communism," he

Intended to stir debate and controversy, Mr. Jaguaribe's conclusion is based in socio-economic reality. Statistics put the Northeast on a par with Haiti, the hemisphere's poorest nation. But it has six times Haiti's population.

The typical Northeasterner can expect to die at 52, according to the 1980 census; the average Brazilian's life expectancy is 60 years, with the median surpassing 65 in the more prosperous south. Infant mortality in the Northeast is 121 per 1,000 live births, the highest rate for an area that size in the Americas; this compares with 75 per 1,000 in Rio, and 60 per 1,000 farther south.

About 15 percent of Brazil's families live in what we categorize as 'misery,' meaning that the family earns less than one-quarter of one



live in the Northeast, is estimated at more than 30 million.

The typical Northeasterner can expect to die at 52.

minimum wage," Mr. Jaguaribe said.
"Most of these families live in the Northeast. More than half of these Brazilian miserables - about 55 percent - are children under 14. It is a

very, very appalling situation."

Educational levels lag far behind national norms. In 1985, according to government data, there were 115 million Brazilians older than four, of whom 33 million lived in the Northeast. But of the 30.5 million Brazilians older than 4 who were illiterate. fully half, 15.5 million, were North-

Landholding bosses have long frustrated efforts to redress the region's skewed property distribution, a problem more typical of the rest of Latin America than it is of the rest of Brazil. In a region where most farmers work small plots of 5 acres (2 hectares) or less, at least half the land is tied up in undergrazed cattle ranches of 1,000 acres and more.

Flavio Teles de Menezes, who leads Brazil's biggest independent farmers' association, said his members would favor a land reform ini-tiative aimed at the Northeast. Preferably, it would be a productivitybased legal formula that would use expropriation only as a last resort. But he said he doubted that big Northeastern landowners would ver face such a challenge.

Parties in government always seek alliances and the balance of power always favors the Northeastern politicians, he said. Change may have to come through industrialization and urbanization, rather than land re-

Many experts say abject poverty could be largely eradicated with a mix of land reform, industrialization education and basic infrastructure. The resolution of peasant land claims and demarcation disputes would also contribute greatly to income redistribution, they say.

There is no question that Brazil has the resources, the economic ca-pacity, to eliminate the poverty of the Northeast, said a development specialist at the United Nations Economic Commission for Latin America. The question is whether it has the

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Confidence Is Key to Easing Crisis

Continued from page 7

is a kund of trauma in Brazilian public opinion. People think the IMF comes here to impose a program especially designed to provoke recession. People think that by signing an agreement with the IMF they surrender their sovereignty. So, I think the government should clarify the precise role of the IMF. I agree with you, experience has shown that one way or another, the IMF and the banks find a way to overcome difficulty for countries that are not able to meet targets. But more and more people in Brazil are becoming convinced that an agreement with the IMF is important to allow more space for the economy to grow.

Q. But clearly, the bottom line is adjustments within the Brazilian economy. If these adjustments are made on Brazil's own initiative, wouldn't that be a clear a sign as

A. Yes, look. What we are trying to say is that a suitable adjustment is in our own interest. We are not seeking a cut in the deficit only to enjoy a salable agreement with the banks. We are convinced that we ourselves need it.

Q. With or without the IMF? A. Right. Then, if we're convinced that an adjustment should be made, that it is important to control the public deficit, because it may curb inflation and may restore confidence and it may give incentive for private entrepreneurs to invest more, if we are willing to do so, why not take the opportunity to go to the IMF with the same

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Moreover, we have been saying said we need more subsidies, the very high level of inflation. Forget that there are substantial differminister could say no, but they about that Not because inflation ences between the situation in knew he could decide in their fa-1983 and 1988. At that time, people thought that the crisis would be short, and would take, say, two or three years for everyone to overcome the crisis. Then, as time went by, people became convinced that the crisis is a lasting crisis. So what the president has said is that the IMF, the international community, all of them have changed

It is impossible to go on carrying out programs of adjustment, austerity, unbearable austerity, because it affects the social fabric, and it may create political insta-bility. So, let's find a way to work together to develop the country. How? By building up a climate of confidence to attract foreign investments, to deregulate the economy, to get rid of unjustifiable controls. Where it is possible, to let the market work.

Q. But this is a very difficult balancing act. You are forced to avoid recession and yet to cut spending. What specific measures: can you adopt?

A. Look. For the first time in history, Brazil has a unified bud-get. There will just be one source of expenditure, which is the budget recently approved by Con-gress. Until 1987, Brazil had two budgets, the official budget and the monetary budget. And through the monetary budget, the minister of finance had the power to authorize unlimited expenses just by signing a piece of paper. Before 1987, if, say, agricultural pressure groups came here and

vor. Now, the minister can say no, because the law does not allow me to do so.

Q. Essentially, what you propose, Mr. Minister, is something some of your predecessors would not have liked, that some of the superpowers of the Finance Ministry be reduced?

Q. You want to reduce your own powers?

A. Yes, because I'm convinced this ministry has so much power it hasn't been able to exercise that power. It has been impossible for the ministry to look into all the problems that come here, because everything, almost everything is decided at this ministry. Agricultural problems, supply of wheat, prices, foreign trade, insurance policy, credit policy, monetary po-licy. It's too much power, and ex-perience has shown that the ministry has not been able to use these powers adequately.

Q. You've said, no more miracles in economic policy, no Mailson Plan, that you want a breadand-butter economy. Could you explain that in the current context of high inflation? How, without a dramatic shock, can you signifi-cantly reduce inflation and still avoid an explosion of discontent and suffering?

A. First of all, if we avoid hyperinflation, it wouldn't be enough, but it would be a breakthrough We are aware of the fact that inflation will not disappear overnight. In 1988, we are going to have a

CAFÉ DO BRASIL

cause the Brazilian economy gets accustomed to dealing with inflation. What is important is to reduce the crisis of confidence, the [problem of] credibility. That's more important right now. We are not forgetting that inflation is a big problem, but we have some more important problems to deal

Q. Backtracking a bit, you had a very substantial increase in the trade surplus, and because of the partial moratorium you saved more than \$4 billion in interest payments. Yet, you ended up with a very severe deficit, and the foreign reserves position was about the same as it was 12 months before. Why is that?

A. First of all, we went on paying Paris Club members, the World Bank and the IMF. The net flow of funds from these sources was negative. As you know, the moratorium was directed to private banks. Brazil didn't save much money because the country

went on paying other creditors.

Q. There is a thesis that the moratorium actually cost this country much more than was understood at the time it was de-

A. That's true, because by post-poning a definitive and lasting igreement, Brazil kept paying high margins over Libor [London Interbank Offered Rate] and this is why the president became convinced that a quick agreement with the international financial community would be needed.

Q. Mr. Bresser said publicly that his negotiating position with the banks was making unilateral securitization of debt as a nonnegotiable demand

A. We are convinced that a bond plan should be voluntary. The bond should not have any type of link with a conversion

Q. Is the moratorium over? A. No, it's not. Brazil has said that we are prepared to lift the moratorium, or, better, to start paying interest if we get the conditions to do so. According to our balance of payments projections, we are not able, without hurting the level of our reserves, to pay interest. We think we could bem payment of a third or perhaps 40 percent of interest, provided the banks can raise the remaining twothirds, or 60 percent. Then, yes,

why not start paying?

Q. Do you think the Cruzado
Plan would have worked if the budget corrections you are talking about had been made then?

A. Yes. The Cruzado Plan was a lost opportunity. If at that time we had controlled the budget, if we had carried out a sound fiscal policy, yes, I think the plan would

B Juan de Omes DONTO GAVIAGO AMA-

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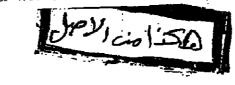
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Miners, Settlers and Indians Fight for a Share of Amazon's Wealth

Without development of the Amazon's mining and energy resources, the more industrialized South would be deprived of raw materials and power considered strategic for economic growth.

By Juan de Onis

ARABA, Brazil — The great bridge on the To-cantins River, a symbol of Brazil's dynamic occupation of the Amazon frontier, has become a blood-stained landmark of the social violence that accompanies this

Since being opened to traffic two years ago, the 2,000 meter (2,176 yard) span has carried hundreds of thousands of settlers, mining prospectors, ranchers and humbermen into this district,

the fastest growing area of Brazil.

The population of five townships here in eastern Para State has grown from 200,000 people in 1980 to an estimated 900,000. The Amazon region, covering half of Brazil's territory, holds nine million people, or 6 percent of Brazil's population. Half of these are

The Tocantins bridge is the essential link for a 890 kilometer (550 mile) railroad that carried 23 million tons of iron ore last year from the Carajás mining district, 160 kilometers southwest of here, to an Atlantic port at São Luiz, Maranhão.

This \$2.5 billion project, partly fi-nanced by the World Bank, has made Brazil the world's largest iron ore exporter, Japan, West Germany and Italy are its major customers.

A recent incident on the bridge, in which at least eight miners died, was a striking example of the violence that accompanies the development of the frontier. Land and gold are fought over at guippoint. Vast tropical forests are burned, Indian tribes are overpowered by men with machines. Rail and road traffic over the bridge

was blocked the day after Christmas by hundreds of miners from the Serra Pe-lada gold pit, where up to 60,000 men scour the black earth with pick and shovel in search of ore. The pit is estimated to have yielded over 80 tons of gold in eight years.

The miners were demanding that the

Brazilian government send earth-moving equipment to remove rock slides and accumulated water that have coppled production at the mine in the jun-

Serra Pelada, as well as many other gold sites in the Amazon, have been occupied illegally by about 300,000 in-dependent miners, who are opposed to big, mechanized mines.

After three days of feverish negotiations, 200 Para state police were flown in. They opened fire from both ends of the bridge. Two miners died on the spot, and an undetermined number

umped 70 meters into the river. "That is the way things go here. The only law is the gun," said Emmanuel Vonbergue, who came here from France 12 years ago to work with a Roman Catholic pastoral movement hat supports peasant unions.

According to the church, about 600 persons have been killed in land conflicts in the past 10 years in southeastern Para and the neighboring states of Goiás and Maranhão.

The Brazilian march into Amazonia, the largest tropical forest in the world, does not stop here. It extends to the western and northern limits of this 3.5 million square kilometer (1.3 million square mile) region where Brazil borders Bolivia, Peru, Ecuador, Colombia, Venezuela and the three Guianas.

Petrobrás, Brazil's state oil company, has found a major oil deposit deep in the western Brazilian Amazon beside the Urucu River, 650 kilometers southwest of Manaus. After testing five wells, the oil reservoir has been estimated at 182 million barrels of high quality, light crude.

Commercial oil and gas production will begin late this year. The president of Petrobrás, Ozires Silva, said in an interview that pipelines are being studied to carry oil to a refinery in Manaus, a city of nearly one million people, and gas as far as the Carajás mining district, where blast furnaces, fired by charcoal, are being installed.

The world's largest tin mine is being developed 250 kilometers north of Manaus on the Pitinga River by Paranapanema, a private Brazilian mining company. The tin nuggets being dredged from jungle streams have pro-pelled Brazil's exports to 25 million kilograms (55 million pounds), rivaling Malaysia and Indonesia.

Paranapanema has built a modern town for 6,000 people where only Wai-mari-Atroari Indian villages were 10

years ago. An open pit mine in a jungle

clearing is the next step.
Further west, along the upper Rio
Negro, where Amazonas State borders Colombia, Paranapanema has laid claim to what appears to be a major gold mine. Octavio Lacombe, Paranapanema's president, said in an interview that he has obtained the agreement of Tucano Indian leaders in the area to develop the mine, which is in a

No such permission was obtained, however, by 12,000 small miners who have invaded the Yanomani Indian lands in Roraima federal territory. This gold rush is along the Couto Magalhäes River, 200 kilometers west of Boa Vista, in the Surucucu mountains on the Venezuelan border.

After four Yanomani Indians were killed last August, the area was cleared of miners by police. But the miners mounted pressure on the state governor and returned in force in December. They are reportedly extracting 30 kilograms a day, with heavy pollution of streams from mercury used in concentrating gold.

"This is the road to extermination of what is left of the Indians," said the most Reverend Aldo Mogiano, the bishop of Boa Vista, capital of the terri-

Reverend Mogiano, 68, heads a mission of Italian priests, the Consolato di Torino, that minister to Roraima's 160,000 people, including 30,000 Indi-

The Yanomani, a forest hunter tribe with about 8,000 members, have attracted international attention from groups concerned with the survival of indigenous peoples. Proposals to create a Yanomani reserve, in the area now invaded by miners, have been stalled in Brazil's federal bureaucracy for years. Brazil's style of Amazon occupation

has drawn mounting criticism from in-ternational and domestic groups concerned with ecological and Indian rights. This conflict has been carried to the international development banks that finance projects here. Although Brazilian laws provide for

environmental protection, they are loosely enforced. The rights of Indians to traditional lands are also enshrined in statutes, but neither the federal Indi-



The Transamazon highway is vital to Brazil's development; top right, seismic testing in Urucu Amazon oilfield.

an agency nor the forest service deal effectively with the frontier miners. lumbermen and land grabbers who inners consider strategic for growth. The aluminum industry of Brazil, vade reserve areas.

As a result, the Interamerican Development Bank terminated a \$48 million loan to pave a highway into westernmost Acre State because the Brazilian authorities did not comply with an agreement to demarcate Indian lands. In the state of Rondônia, where about 500,000 settlers have occupied virgin land traversed by an earlier highway, the Indian lands have been widely in-

Without development of the Amazon mining and energy resources, the more industrialized southern areas of Brazil

would be deprived of raw materials and power that Brazilian economic plan-

which may become the largest in the world by the year 2000, is centered on bauxite mined at Trombetas, on the northern bank of the Amazon, and refineries near Belém and São Luiz.

To power these refineries, Brazil opened in 1985 the first major hydroelectric dam in the Amazon region at Tucurui, north of Maraba on the Tocantins. This power plant generates four million kilowatts. The high-tension transmission towers through the jungle carry power not only to the refineries, but interconnect with a grid supplying Brazil's northeast region, where 40 million people live. A 3.3 million kilowatt expansion of Tucurui has begun, with the reservoir

full with 85 million tons of water. Contrary to predictions by some ecological critics, Tucurui's reservoir has not depleted commercial fishing nor has the water, inundating vast areas of jungle, corroded the turbines. A fishing cooperative with 600 members is producing 80,000 kilograms a month of

State power authorities are planning to begin building by 1992 an even more ambitious power center on the Xingu River, west of the Tocantins. The first dam called Cararao at Altamira, on the Transamazon highway, would generate 6.3 million kilowatts, and subsequently Il million, in a class with Brazil's Itaipu

The Xingu reservoir would be even bigger than Tucurui, invading lands of the Kaiapo Indians, who have already taken a stand against the project. The Kaiapo are closely studied by cultural anthropologists, and a worldwide outcry over the Xingu is expected. But Brazil's national commitment to

dam on the Parana River, the world's

Amazon development is so advanced that it seems unlikely that the momentum will be slowed. Like the bridge on the Tocantins, the process cannot be blocked for very long.

A First in Amazon

Commercial Oil Is Discovered

By Juan de Ouis

ORTO GAVIAO, Amazonas — Oilmen say luck is always needed in the search for productive sites and the first commercial petroleum find in the Brazilian Ama-

ZOB is no exception. Petrobras, the Brazilian state company, had exploration teams setting seismic charges in the dense tropical forest west of the Jurua River here in late 1986, when a band of Indians attacked. Two workers were clubbed to death by Curuba Indians.

"Everyone got very nervous af-ter that," said Luis Octavio Cas-tro, a geologist at the Petrobras base camp in Porto Gaviao.

So, the western Amazon exploration division shifted the search for oil to the east, 120 kilometers (74 miles) from the base camp and far from the Indian hunting grounds. This proved to be a stroke of luck. Last October, a year after the Indian attack, a wildcat well struck oil and gas along the Urnen River.

Petrobras, after a 30-year search, had found a commercial field in the Amazon for the first time. Tests on six wells have produced quality light crude, flowing at 1,200 barrels a day, under strong gas pressure. Petrobras en-gineers said the proven reserve is 182 million barrels.

Wagner Freire, Petrobrás direc-tor of exploration, said that 12 more wells would be drilled this year to complete the study of the structure and begin production.

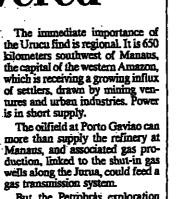
This is an extremely important discovery because there were some geologists who doubted that commercial oil could be found in the Brazilian Amazon," Mr. Freire in Rio de Janeiro State.

Under the thick upper sedi-ments of the Amazon basin, volcanic surges of magma about 250 million years ago thrust thick layers of igneous rock over the organic deposits of the Devonian era where oil is formed.

It was thought that the intense heat of the magma had destroyed or volatilized the oil into gas. Gas svells were found 15 years ago along the Jurua River, but have been capped until now.

The Urucu find shows that the

igneous activity did not destroy the off, which is of excellent quality. It is now a much better investment to search for more," Mr. Fre-



ssion system. But the Petrobras exploration plan is looking for enough output to supply not only Manaus, but the national market.

is in short supply.

"We think there is a good return here because the oil produced will pay for developing the area," said Ozires Silva, the president of Po-trobrás, after a visit to Urucu in

Petrobris has a monopoly in Brazil on oil exploration and pro-duction. The mission of the state company, which was founded in 1952 is to find enough oil to make Brazil self-sufficient.

Petrobras has made major gains in this decade, raising domestic production from 250,000 barrels to more than 600,000 barrels a day. But it still has to import about 35 percent of Brazil's consumption, at a cost of \$3 billion a

Petrobras refineries supply all of the Brazilian products market and export about \$400 million in gasoline that exceeds consumption. (About 80 percent of automobiles in Brazil run on an alco-

Oil comes in hard places in Bra-zil. Most is now being produced from giant offshore fields on the continental shelf facing Campos,

Deep drilling in offshore fields is something Petrobris does well. A world record depth of 492 meters below the surface was reached Jan. 10 by an offshore well that produced 5,000 barrels a day.

"We have developed and tested the technology of remote operating vehicles to drill at 1,000 meters below water. We will soon have the first floating platform for production at that depth in the Marlin field." Mr. Freire said.

From the submarine depths, in the range from 500 to 1,000 meters, where no diver can work, Brazil expects to extract the oil that will reach the goal of self-suffi-





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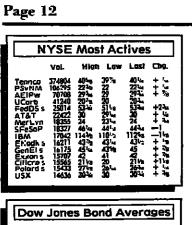
Today BNDES is the largest development bank managed by any individual country. The bank has invested in the last decade an average 3.7 billion dollars a year in industrial expansion. In 1988, it is going to invest 6 billion dollars, approximately, to keep the Brazilian economy growing.

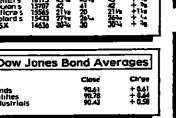
Moreover, through a dynamic program of privatization, BNDES is returning many important companies to free enterprise, stimulating investment in areas still under the control of government agencies.

This has been the function of BNDES. It has accomplished the mission of developing an economy which is not going to stop moving ahead.



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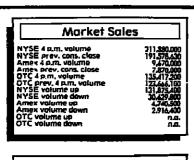
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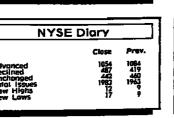
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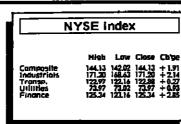
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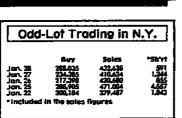
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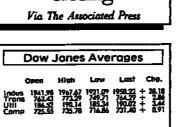




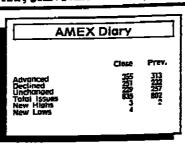


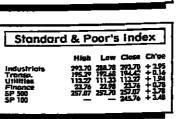






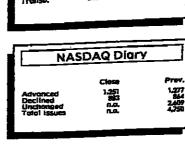
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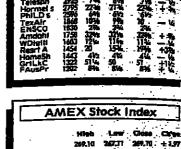
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Late Rally Pushes Up NYSE

stock prices on the New York Stock Exchange sharply higher Friday in active trading, and many analysts said Wall Street believed that lower interest rates were in the cards.

The Dow Jones industrial average rose 28.18 points to close at 1,958.22. The Dow, which umped ahead at the opening bell and then slipped back in midasternoon trading, added nearly 23 points in the last hour of the session. For the week, the index gained 54.71 points.

or 2.9 percent Advancing issues topped declines by more than a 2-1 ratio. Volume was about 211.88 million shares, up from 166.43 million on

A significant portion of the volume was the result of dividend strategies, with several of the most active issues scheduled to go ex-dividend

next week. Broader market indexes gained. The New York Stock Exchange index rose 1.91 to 144.13. Standard & Poor's 500-stock index rose 3.78 to 257.07. The price of an average share added 42

cents.

"The market held up reasonably well for the entire week," said Ricky Harrington, technical analyst with Interstate Securities Corp. in Charlotte. North Carolina. "The late move reflected

an accumulation of upside momentum."

Mr. Harrington said the market's late rally might have been accelerated by short-sellers up 1/4 to 221/4. covering their positions by purchasing shares
before the weekend, "but it is more likely a 29%

reaction to a firm bond market." "The market really never looked bad all day."

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NEW YORK — A final-hour rally pushed down for a while, and IBM weakness was reflected in some other technology stocks. But the overall gain is a culmination of a decent looking

market for the past week."

Analysts said the market's advance of the past two days reflected a strong belief that the Federal Reserve Board will launch a more ac-

commodative monetary policy leading to lower interest rates. "If the economy weakens, you will definitely see the Fed come to the rescue," said Rao Chalasani, bond and stock market strategist with Prescott Ball & Turben Inc. in Cleveland.

We do look for some kind of easing."

But he cautioned that changes in Fed policy could face restrictions.

"I do believe the Fed will ease to the extent it can," Mr. Chalasani said, "but I don't think it has as many choices as it had in previous years." He said that interest rates could not be not

controlled as easily as in the past because of the growing link between U.S. economic policies and those of other industrialized democracies.

Harry Miller, portfolio analyst at Johnson,
Lane, Space, Smith & Co. in Atlanta, said the outlook for interest rate relief was "hopeful" but the market was still plagued by uncertainty and low investor confidence

Tenneco was the most active NYSE-listed issue, up ¼ to 40¼,
Public Service Co. of New Mexico followed

American Electric Power was third, up % to

AT&T was up 1/8 to 29%. IBM was down 13/ to 112%.

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BUSINESS/FINANCE

ECONOMIC SCENE

Some Economists Insist 1988 Recession Is Coming

By LEONARD SILK New York Tennes Service

EW YORK — The American economy grew faster in the final quarter of 1987 than most economists expected. But since most of the gain was due to an unintended surge of inventories, a sharp slowdown in the economy appears to be on the way. While it is not yet the general view, some economists think a 1988 recession may have begun.

The U.S. Commerce Department estimates that the gross national product — a country's total output of goods and services — an at a seasonally adjusted annual rate of \$3.87 trillion in the October-December quarter, up 4.2 percent. The consensus of economists surveyed by Blue

Some want the

ease monetary

policy.

Federal Reserve to

Chip indicators this month was for a fourth-quarter gain of only 2.1 percent.

Yet the economy was, oddly enough, not stronger but weaker than expected in the fourth quarter, Final sales mis the increase in inventories

barely rose, at an annual rate of six-tenths of I percent Inventories increased by \$58.3 billion, measured in 1982 dollars, in the fourth quarter; that was more than twice as much as the \$24.6 billion inventory rise in the third quarter.

Much of the extra bulge in inventories was involuntary, as consumption, in 1982 dollars, fell to a seasonally adjusted annual

rate of \$2.5 trillion, from \$2.52 trillion in the third quarter.
Apparently the "wealth effect" — the damage to consumer spending resulting from the October stock market collapse— look a considerable toll in the final months of 1987. And the sfuggishness of consumption appears to be continuing into the

But is it fallout from the stock market plunge that is hurting consumer spending or, as some economists think, an excessively tight Federal Reserve monetary policy, which could push the economy into recession? William Niskanen, a former member of President Reagan's Council of Economic Advisers, said the data released this week "suggest we've got a recession under way unless there's an easing of monetary policy."

LEARLY the money supply grew very slowly during the second half of 1987. M-1—the narrowest measure of the U.S. money supply, including cash in circulation and checking accounts and nonbank traveler's checks—grew 3.1 percent from December 1986 through December 1987, but its monthly rate of increase dropped from more than 14 percent in the first half of 1987 to less than 3 percent in the six months through November.

Similarly M-2—a broader measure of the money supply.

Similarly, M-2 — a broader measure of the money supply, comprising M-1 plus overnight repurchase agreements, Eurodollars, money market funds and savings and small time deposits grew at a trifle faster rate of 3.4 percent for the year as a whole, but again monetary growth in the second half was markedly slower than in the first.

And M-3 — a still broader measure, with M-1, M-2 and such other items as large time deposits and institutions' money market funds - grew 4.9 percent last year, with slower second-half

What explains the second-half slowdown in the monetary aggregates? The obvious explanation — but not necessarily the correct one — is the accession of Alan Greenspan in midsummer to the chairmanship of the Federal Reserve Board, replacing Paul A. Voicker. Was Mr. Greenspan, a Republican who had been close to President Reagan since the 1980 political campaign, seeking to prove his independence as Fed chairman and his anti-inflationary fervor? Was he behaving more as a monetarist, with greater concerns about reducing the growth of the monetary aggregates than the pragmatic Mr. Volcker? (After testing "operational monetarism" as a way to stop inflation in 1981-82, Mr. See SCENE, Page 17

Fiat Posts 31% Rise In Profit

Auto Sales Buoy Group Revenues

TURIN—Fiat SpA, Italy's largest private industrial group, announced Friday a 31 percent rise in 1987 operating profits, to a provisional 3.22 trillion lire (\$2.61 billion) for 1987 from 2.457 trillion lire in 1986

lire in 1986.

Fiat's chairman, Giovanni Agnelli, said the group intended to make every effort to ensure another dynamic performance in 1988 despite current international economic uncertainties.

The company said stronger sales in its auto and industrial vehicles divisions contributed to higher 1987 group revenue.

The results followed a turnaround in the fortunes of the auto division, which has contributed to soaring profits for Fiat in the past

Fiat said its 1987 sales were bolstered by the addition of its subsidiaries Alfa Romeo SpA, Snia BPD SpA and other units not consolidated in its 1986 accounts. Fiat's board approved the provisional results at a board meeting on Friday.

The company said 1987 group consolidated revenue rose provisionally 30 percent to 38.1 trillion lire, compared with 29.34 trillion

Fiat did not give an estimate of group consolidated net profit, but said parent company profit in 1987 should be around 800 billion lire, against 612 billion the previous

The company attributed improved parent company profit last year to higher dividends from its subsidiaries, which rose about 80 percent to 677 billion lire from 379

Mr. Agnelli said that Fiat faced the economic uncertainties of the future in a position of strength in the principal sectors of the Europe-

"We feel able to state our clear readiness to participate in a further strengthening of the Italian and European economy according to market rules, those which in the end reward the best," he added. On Tuesday Fiat unveiled the Tipo hatchback, a midsize car that it sees as a challenger to Volks-wagen's Golf. Fiat said the Tipo would spearhead its plans to over-take VW as Europe's top automo-

McDonnell Douglas's MD-11, upper left, and the Airbus A-340, which go into service in 1990.

For the Long Haul, Little Comfort

International Heruld Tribune
SINGAPORE — Aircraft mannfacturers say they are con-

fident about sales prospects for a new generation of long-range jets that begin scheduled services lat-er this year.

But the makers of these longhaul planes are concerned about their passengers' comfort. "Answers have to be found to

the physiological and psychological problems encountered by the passengers who will be effec-tively immobilized for up to 16 hours at a time," said Stuart E. Iddles, senior vice president for commercial affairs in Europe's Airbus Industrie consortium.

That compares with the al-most 13 hours it now takes to fly from London to Singapore, one of the longest nonstop flights.

The traditional response of

airlines, Mr. Iddles said at an aviation conference here this week, was: "Feed the brutes." However as flight times increase, there is a limit to the amount of food that a passenger can absorb, while alcohol can give a thumping headache in the

rarefied cabin air, he said. There is also a looming weight problem, for planes as well as

A large airliner on a five-hour flight carries about 30 pounds (13.5 kilos) of food, drink and ackaging per person. This, Mr. Iddies said, could

increase to as much as 70 pounds on long-haul flights if the traditional policy was continued. Boeing Co. has a head start

over its two main competitors, Airbus and McDonnell Douglas cial jet market.

jumbo jet. The 747-400 seats up to 660 passengers and is about 15 percent more fuel-efficient than any previous jumbo.

Thomas R. Craig, Boeing's director of market research, said at the Singapore conference that, because of fuel efficiency and more powerful engines, the 747-400 could fly fully laden about

The Boeing 747-400 can fly 60 percent farther than the first jumbo, which was heavier and carried

60 percent farther than the first generation jumbo in 1970, even though the first jumbo was lighter and carried about 100

fewer passengers.

The 747-400 will start commercial service in September or October, company officials said. Its 8,200 mile (13,250 kilome-

ter) range will make nonstop flights possible on such routes as London-Tokyo, New York-Seoul, Singapore-London and Los Angeles-Sydney.

The Airbus A-340 and the Mc-Donnell Douglas MD-11, which come into service from 1990, will fly even farther, though with fewer passengers. The A-340 will carry a maximum of 295 passengers are with a range of about \$ 700. gers, with a range of about 8,700 "We might even install a dis-miles, while the MD-11 will car-cotheque," he added. "That On Tuesday in Seattle, Boeing ry up to 520, with a range of rolled out its latest version of the about 9,000 miles.

Gareth C.C. Chang, president of McDonnell Douglas's office in China, said his company believed that the boom in international air travel would create a

demand for about 1,120 large, long-range passenger jets by the year 2000. He estimated the value of those sales would be about \$90 billion at current prices.

Mr. Craig said he believed that problems of passenger conges-tion on long-haul flights could be alleviated by improvements in design, including quieter engines, enhanced fresh air flow to passenger compartments and better smoke removal.

Mr. Iddles said in an interview

that the people he was most concerned about were passengers in economy and tourist class. "While the business class pas-

senger quite probably has work to do or can usefully read during the hours not spent eating or sleeping, and the first class passenger can unwind in his costly cocoon, the economy passenger has more people around him, in closer proximity," he said.

Manufacturers of aircraft and discuss with airlines design of seats that would allow travelers to sleep better, he said.

Another possibility was to re-duce the amount of drink on board by installing humidifying systems in air-conditioning units counter dehydration.

Mr. Iddles said that Airbus was considering using sections of the A-340 under the floor of the passenger compartment for sleeping, enlarged toilet space, an exercise room or recreation

would really burn off the calo-

Japan Surplus In Trade Hit Record for 1987

Compiled by Our Statt From Disputches TOKYO — Japan's surplus in the current account, the widest measure of trade, inched up to a record \$86.69 billion last year, from the previous high of \$85.85 billion in 1986, the Finance Ministry said

The surplus for December totaled \$9.44 billion, slightly wider than the \$9.19 billion a year earlier,

It was the first year-to-year monthly increase in eight months in the current account, which measures a country's trade in such

things as services, interest and divi-dends, as well as goods.

Masaru Takagi, a Fuji Bank economist, said he saw the current account surplus slimming to \$78 billion in the financial year begin-ning in April from his estimate of \$87 billion for the current financial

"This would be some improve ment, but I must stress that there is still a problem because we can expect no dramatic changes," he said. The ministry also reported Fri-day that the merchandise trade surplus widened by \$3.64 billion last year to a record \$96.46 billion, from \$92.83 billion in 1986, the previous record.

It said the surplus in December was \$10.06 billion, down slightly from \$10.20 billion a year earlier. Those figures contrast with data released earlier this month, showing that Japan's surplus shrank for December and the year.

However, the new figures were calculated on an internationally ac-cepted basis in which cost, insurance and freight charges are stripped out of the value of exports and imports.

The earlier figures were calculated with those charges included for imports, but excluded for exports, bloating the value of imports. Exports grew 9.2 percent in 1987 to \$224.4 billion, the ministry said, while imports jumped by 13.5 percent to \$127.9 billion.

Economists said that the sharp rise of the yen meant that Japan's exports fetched more in dollar terms last year, even though the volume of shipments declined.

Japanese officials said that when denominated in yen, the trade sur-plus declined slightly. The Bank of Japan, the central

bank, said Friday that the trade steadily in dollar terms.

"The surplus in real terms will

po," the bank said in its quarterly

The fall in the dollar surplus will because the terms of trade are expected to improve next fiscal year.

In the fiscal year ending March 31, the terms of trade are expected to deteriorate because of higher

crude oil prices and in spite of the stronger yen, the bank said. The government also said that money leaving Japan for long-term investments surged to a net \$137.13 billion in 1987, surpassing a record \$131.46 billion in 1986.

The stock market collapse in October led to a heavy withdrawal of money by foreigners out of the To-kyo stock market, said Kazutoshi Habamura, economist for Nikko Research Center, although recent figures show that that trend is reersing. (AFP, Reuters, UPI)

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Japan Reports Inflation at 29-Year Low

TOKYO — Japan had its lowest inflation rate in 29 years in 1987, as prices of consumer goods rose only 0.1 percent, the government said Fri-

day.

The rate was the best since a 0.4 percent decline in 1958.

The government also reported that the unemployment

rate was 2.8 percent in 1987, unchanged from 1986, but that the number of people without jobs had risen 3.6 percent to 1.73 million from 1.67 million. In December, the rate fell to 2.6 percent, from 2.7 percent in November, seasonally ad-

The government said that in December, the consumer price index fell 0.1 percent to 100.9, base 1985, from November, when it had fallen 0.5 percent. But the index was up 0.8 per-cent in December from a year

The governor of the Bank of Japan, Satoshi Sumita, said Friday that wholesale prices were expected to fall again in January because of lower utility prices. In December, wholesale prices fell 0.1 percent.

Currency Rates

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Interest Rates

Sources: Morgan Guaranty (dollar, DM, SF, Pound, FF); Llayds Bank (ECU); Reuters (SDR), Retes applicable to Interbank deposits of \$1 million minimum (or equivalent).

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Source: Reuters.

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U.S. Money Market Funds

Marrill Lyach Ready Assets 30-day average yield: 7,21

Telerate Interest Rate Index: 4.498 Source: Merrill Lynch, Telerale.

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Générale BRUSSELS — A Belgian-led consortium said Friday that it was

close to victory in a battle to stop the Italian financier Carlo de Benedetti from gaining effective control of the nation's biggest company, Société Générale de Belgique.

Control of

The consortium, led by a Belgian holding company, Gevaert NV, said it was building a stake of 34.25 percent in the vast conglomerate, which would make a hostile takeover impossible.

It would do so by buying or plac-ing in friendly hands all of 12 mil-lion new shares that are being issued by Générale de Belgique in a defensive move. The increase in capital would dilute a stake built up by Mr. de Benedetti, who is chairman of Olivetti SpA of Italy.

Reacting later Friday to Gevaert's announcement by its chair-man, Andre Leysen, Mr. de Bene-detti said that he "is willing to discuss with him and his partners the modalities of an agreement."

The Gevaert consortium said it had already placed 10 million shares. It said Générale would either sell the other 2 million to the consortium or place them with friends itself. But a court has yet to. rule on a legal challenge by Mr. de Benedetti on whether the capital increase is legal and whether the new stock carries voting rights.

Mr. de Benedetti has said that

the capital increase would cut his stake in Générale to about 13 percent. But if he won approval for his public offer for Generale, it would rise back to around 18 percent. Mr. Leysen said that if the share

18, no one could stop Mr. de Bene-"He would be the winner, and sportingly I would be the first to

congratulate him by telephone," he

But assuming that the court al-lowed the increase, "an unfriendly takeover is now impossible," Mr. Leysen said. "With friends of the management and friends of our company we have erected a wall that cannot be breached."

He would not identify the mem-- 4.35 bers of his consortium.
- 1.35 bers of his consortium.
- 3.36 Mr. Leysen, who seeks greater
- 7.36 influence in Societé Générale for - 123 Belgium's Dutch-speaking north, Luxembourg, Parts and London official fix has not ruled out cooperating with hoss: Hong Kong and Zurich opening and Mr. de Benedetti, but says he wants crosing prices; New York spot market close.

All prices in U.S. 5 per sunce.

Gevaert Sees Japan to Keep Export Quota For U.S. at 2.3 Million Cars

TOKYO - Japan will limit its in exports becomes an established passenger car exports to the United trend," he said. States to 2.3 million again in the 1988 fiscal year, which begins April 1, International Trade and Indus-

Auto exports account for more argued that the limits should be than 20 percent of Japan's exports removed, saying the quotas origito the United States.

try Minister Hajime Tamura said

The Japan Automobile Manufacturers Association reported Fri-recovered. day that Japan's exports of passenger cars to the U.S. market have been hurt by the strong yen and did not even reach the 2.3 million limit argued that Japanese automakers

strictions in light of rising protec-tionist sentiment in the U.S. competitiveness.

fully examine whether the decline

"If and when it is confirmed that such restraints are no longer necessary, even during fiscal 1988, the restrictions will be removed." Japanese automakers have long

nally were set during a slump from which U.S. automakers have now



Hajime Tamura

argued that Japanese automakers under strong pressure from Washlast year, declining 6.1 percent to

2.2 million autos.

But Mr. Tamura said the govern
because the ways and the govern-

But Mr. Tamura said the government decided to continue the restrictions in light of rising protections and rising protections are respectively as a light of rising protection and rising protections are respectively as a light of rising protection and rising protections are respectively as a light of rising protection and rising prote straints in 1985, but Japan decided tionist senument in the U.S. competitiveness.

Congress.

Japan began limiting its auto exto limit car shipments to the curpling fiscal 1988, MITI will careports to the U.S. market in 1981 rent 2.3 million in fiscal 1985.

Scant Demand Forecast for Mexico's Bonds

bankers said. Under the plan, Mexico will sell as much as \$20 billion in bonds backed by about \$10 billion in U.S. Treasury securities. Banks, which hold \$78 billion of Mexico's debt, would bid for the 20-year bonds by offering back to Mexico at a dis-

count existing loans made to the increase were struck down when "Morgan will participate in the the court makes its ruling on Feb. deal, Mexico may through U.S. agents, and arbitragers will," one banker said.

Participants are expected to offer bids representing discounts on



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INDIGO INVESTMENT, S.A.

their loans of about 30 cents on the York Corp. and Manufacturers innovative bond auction to relieve counts, but many large U.S. banks and neither bank had enough burden, are not getting much support from other banks, bankers say.

So far only a few seem willing to NEW YORK - Mexico and J.P. dollar. Mexico will save money by Hanover Corp. said they had not

So far only a few seem willing to take part in the program announced in late December, the arguing that it is geared more for banks that want to get out of Latin American lending.
Sources at Chase Manhattan

Corp. and Bankers Trust New York Corp. said their banks probably would not participate. Spokesmen for Chemical New

pect to get a clear picture of the

hanks' interest in the new bonds

until just before the Feb. 19 dead-

line for the bids. "It's a kind of brave new world," he said. "We don't know how it will come out"

Bankers and debt traders in New See MEXICO, Page 15

INTERNATIONAL

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Bonn Reports Decline In Broad Trade Surplus

By Ferdinand Protzman
International Herald Tribune

13 billion DM in December from 11 billion DM in November. But

cord high in 1987. But economists said the numbers

masked significant shifts in trade flows that are likely to slow the AP nation's economic growth, because the statistics are skewed by the should look more at trade volume. strong Deutsche mark and weak The current account, which measures trade in goods and services, as

a surplus of 79.4 billion DM (\$47.6 billion), down from a record high of 82.4 billion DM in 1986. The 1987 current account figure is preliminary, the Federal Statistics Office in Wiesbaden said Friday. The 1986 surplus was revised upward from the 80.5 billion DM

well as certain transfers, registered

1987, breaking the previous high of 112.6 billion DM set in 1986.

mark on West Germany's exports.

Horst Seidler, an economist at

In December, the current ac-

11 billion DM in November. But FRANKFURT — West Germany's current account surplus demance in December does not accuclined somewhat from its record rately reflect the situation, accordlevel of 1986, while the merchandise trade surplus soared to a re-

Hans Tietmeyer, the Finance Ministry's state secretary, said that the rise was due to a statistical phenomenon known as the J-curve effect and that financial markets "We had been expecting a big figure, but it is due to the J-curve effect." Mr. Tietmever said.

Historically, the J-curve effect shows that as a country's currency appreciates against others, it tends to initially improve that nation's of imports. Later, the strong currency crodes exports, weakening the trade position.

Economists said that despite the record merchandise and high curoriginally reported.

The merchandise trade surplus climbed to 117.5 billion DM in of the negative effect of the strong Horst Seidler, an economist at

the German Institute for Economic count surplus fell to 8.9 billion DM Research in Berlin, said West Gerfrom 9.6 billion DM in November. many's price stability also distorts The November figure was revised the trade picture because import prices fell about 7 percent in 1987 The merchandise trade surplus causing imports to show a decline grew to an unadjusted, or nominal, although volume rose significantly.

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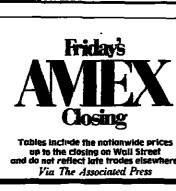
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12 Grew Only 2% in 1987 1.7 25 13 13 10 25 Reuters

WARSAW — Poland's economy grew only 2 percent in 1987, falling short of its targets, the state statistical office said Friday.

Growth of national income failed to meet the planned 3 percent target and slumped badly from the 4.9 percent achieved in 1986, the office said. S&P 100 Index Options **US.Treasuries London Metals** said.

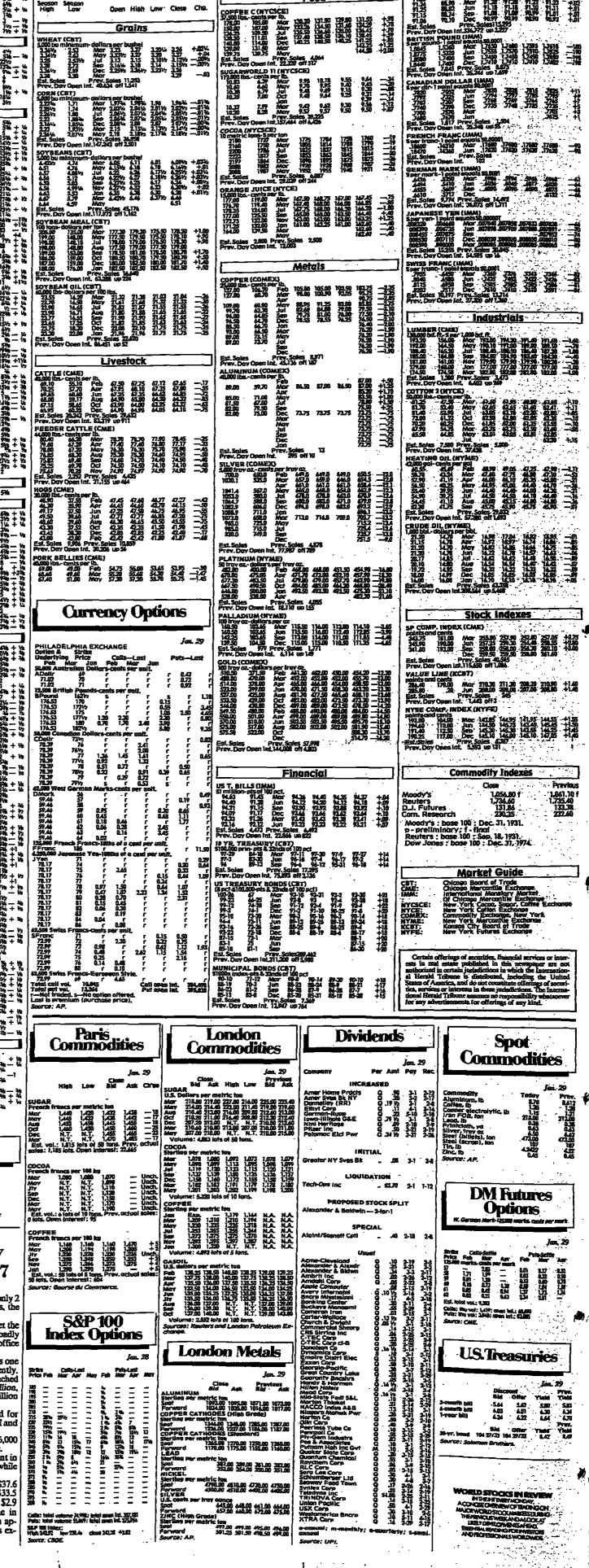
The official news agency PAP said it was one of the worst years the country has had recently. However, it said that exports in 1987 reached \$7.06 billion, while imports were \$5.82 billion, producing a \$1.24 billion surplus, \$168 million wider than in 1986.

The gloomy news came as Poles braced for price increases averaging 27 percent over all and 40 percent for food. Jan. 29 Jan. 29
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Yield 1.42 8.69 5.62 4.01 6.22 Maria Rich 645 — 34 52 + 35 6 + 36 1344 — 38 price increases averaging 27 percent over all and 40 percent for food.

Workers will be given a pay increase of 6,000 zlotys (about \$19) a month to compensate.

The report said inflation rose to 26 percent in 1987 from 18 percent the previous year, while wages rose only 21.8 percent.

It said Poland's foreign debt jumped to \$37.6 billion at the end of November, from \$33.5 billion at the start of 1987. That included \$2.9 billion resulting from the dollar's decline in relation to other hard currencies, in which approximately 60 percent of Poland's debt is expressed, the office said. Quarker State Corp Quarker Chemical REYCHEM COPP SECURITY AND COPP SECURITY OF TOWN SYNDEX COPP Teledyne Inc TRINOVA COPP Union Pecific USX Corp Westamerica Bricro XTRA Corp eiric ion 4790.00 4810.00 4730.00 4750.00 4500.00 4510.00 4400.00 4405.00 WORLD STOCKS IN REVIEW
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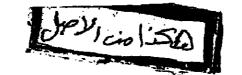
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Allegis to Buy Back 63% of Shares

CHICAGO — Allegis Corp., the Covia reservation system. as been selling its car-rental and es, amounced Friday a \$2.84 billion repurchase of 63

percent of its shares. The \$80-a-share offer for 35.5 million shares is part of a major principal in Coniston, said Allegis gis said. estructuring beginn last year after a ment shake-up. The company has abandoned a

strategy meant to supply all travel needs and is refocusing on its core Allegis has about 56.7 million

It had been considering distributing the roughly \$3 billion it should receive for the sale of the Hertz car-rental business and the Westin and Hilton International hotel chains to shareholders in the

form of a dividend payout. The New York investment group Coniston Partners, the largest Alloris shareholder with a 14 percent share but noted that the company - Androsch was entitled to.

had not mentioned the sale of its

Earlier Coniston had threatened a proxy battle to control the Allegis board if its management did not authorize a buyback of shares. In a letter to board members released on Wednesday, Paul Tierney, a

Austrian Bank Accepts Executive's Resignation

The Associated Press VIENNA — The supervisory board of Creditansialt-Bankverein AG, Austria's largest bank, on Fridirector-general, Hannes Androsch, according to Fritz Bock, with Janney Montgomery Scott the chairman Mr. Androsch was said the stock price should increase convicted Jan. 20 of lying to a par-

liamentary commission. Mr. Bock said the board had accepted Mr. Androsch's request for severance and pension pay acstake, said it was pleased with the cording to the terms of his contract, plan to pay shareholders \$80 a He refused to say how much Mr.

was considering a cash dividend to all stockholders of up to \$30 a share instead of distributing proceeds from the sale of several assets through a self-tender.

The self-tender will begin after the closing of the sale of Westin, which is expected next week, Alle-

After the announcement of the hare offer. Allegis's stock rose \$1.125 to \$71.375 on the New York Stock Exchange.

Traders and analysts said the offer was positive because it should placate shareholders who were shaken earlier this week when Allegis reportedly was considering a lower payout. Louis Marckesano, an analyst

as the company is removing a large portion of its stock from the mar-

"There will be only 20 million shares left," Mr. Marckesano said. He said the remaining shares should be valued at \$70 to \$80 a

Sweden's Nordstjernan Bids for Builder

STOCKHOLM — The Swedish industrial conglomerate Nordstjerban AB said Friday that it was making a bid for the building com-pany Armerad Betong Vägforbät-

Nordstjernan, which now has a 15 percent stake and 30 percent of the voting rights in ABV, would pay 315 to 345 kronor (\$52.5 to \$57.5) per share, valuing the com-pany at around 3 billion kronor. The board of ABV will meet on Wednesday to review the bid, an

A merger of ABV and Nordstjernan's own building subsidiary.

Johnson Construction Co., would create Sweden's second biggest building company after Skanska AB, said Bernt Magnusson, Nordstjernan's managing director.

He said the annual revenue of the joint company would be around 16 billion kronor, while fusion costs would be 200 million to 300 million kronor.

JCC's managing director, Tor-sten Eriksson, said savings after a merger would amount to 300 miltion kronor annually. Nordstjernan is a diversified in-

the Nordiska Kompaniet retail change.

shopping chain, Avesta AB, a spe-cial steels producer, and JCC. Nordstjernan has offered ABV shareholders 325 kronor a share, or a 140-krona bid together with a two-for-five share swap for Nordstiernan stock. ABV was trading at 300 kronor

before being suspended on the Stockholm Exchange earlier on Nordstjernan also announced its intention of making a four-for-one

share split. Mr. Magnusson said that if ABV's shareholders accepted the dustrial conglomerate grouping the takeover, Nordstjernan would seek Johnson and Silja shipping lines, a listing on the Stockholm Ex-

More Divestitures Likely From Standard Chartered After Selling Arizona Unit

LONDON — Standard Chartered PLC, in selling its United Bank of Arizona subsidiary to Citicorp for \$210 million, is slightly strengthening its balance sheet in what analysts say is only the start of a wider divestiture program.

Although the sale, announced Thursday, will raise the British bank's equity-to-asset ratio slightly. Standard's shares declined Friday to 535 pence on the London Stock Exchange, down 18 pence from Thursday's close.

Rod Barrett, financial research director at the Hoare Govett brokerage, said the fact that Standard "bought it for \$335 million and is selling it for \$210 million doesn't make it look like a great

However, a source at Standard said that its subsidiary Union Bancorp, the holding company for the Arizona bank as well as for Union Bank of California, had retained the Arizona bank's mortgage and real estate arms, which he said were "subject to sale." Standard, which bought the Arizona bank little more than a year ago, said the total sale price represented a premium of \$78 million over the expected net asset value.

William Vincent, an analyst at Salomon Brothers, said, "The sale was less than we had hoped," noting that Standard has been trying to sell Union Bancorp itself, California's fifth largest bank group with assets of about \$9 billion.

Stock market analysts were expecting Standard to announce the disposal of Union Bancorp for about \$800 million, helping to shore up its capital base, which most analysts consider weak. Sources close to Standard said Union Bancorp could be sold within a few weeks. Wells Fargo & Co. of San Francisco and several Japanese banks have been rumored to be interested.

"We remain cautious over Standard's situation," said Mr. Barrett of Hoare Govett. "The sale lifts its equity-to-asset ratio to 3.2 percent from 2.9 percent, but it is still very low. There will undoubtedly be more sales to come." Martin Cross, an analyst at Warburg Securities, said the Arizona

bank sale was a step in the right direction, provided the sale of Union Bancorp's parts separately would realize more than selling it whole. United is the fourth largest bank in Arizona, operating 37 offices throughout the state. In the nine months ended Sept. 30, 1987, its unaudited accounts showed profit of \$6.8 million. As part of the sale, Standard said it had agreed to purchase a

portfolio of loans from the Arizona bank at their book value of \$145 million, against which Standard will make a provision not expected Standard's 1987 pretax profit is expected to be reduced by more

than £100 million from the £253.9 million in 1986, mainly as a result of provisions against Third World debt.

Decentralizing Management at IBM

If the Plan Succeeds, It Will Ratify a U.S. Corporate Style

By David E. Sanger New York Times Service

NEW YORK - With its sweeping restructuring announced including seeing that products con-Thursday. International Business tain state-of-the-art technology. Machines Corp. joins a growing list of U.S. corporations that are pushing responsibility for decisions far down the chain of command.

IBM has until recently ranked

among the most admired in the world for its management prowess.
If the reorganization succeeds, it is likely to ratify a management style for huge corporations that calls for an extremely small headquarters staff, so that all but the most critical strategic decisions can be made by the same people who deal with the company's customers.

The company has created five new, highly autonomous organiza-tions that will be responsible for all of the company's innovation, design and manufacturing. The changes are intended to greatly decentralize the world's largest computer manufacturer, giving far more responsibility to a younger generation of managers and significantly reducing the role of IBM's Armonk, New York, headquarters in day-to-day operations.

find themselves working for new managers as part of an effort to put new spark into a company that insiders say is bloated and that customers complain has often not kept up with competition.

"This is a fundamental change in the way we do our business, as significant as any we have ever one of the harshest internal critics. Of IBM that Mr. Akers has long made," John F. Akers, the company's chairman, said. "If it works, it will make our employees more entrepreneurial, more accountable and more independent.

Presumably, the IBM organiza-

justifying it to headquarters. But Armonk would retain responsibility for setting overall standards,

But analysts were doubtful that the restructuring, which comes on the beels of enormous turnult and belt-tightening at IBM, will pay off

IBM's problems, they maintain, are still rooted in the linking of incompatible computer systems. The company's giant mainframes that are the lifeblood of multinational corporations still cannot communicate smoothly with its midrange machines and with personal computers that now sit on the desks of millions of white-collar workers. Speeding up innovation alone,

analysis warn, may not ease the confusion among computer users that many blame for IBM's slower growth. Some, even within IBM, fear it could reduce coordination among product managers at a time when products must be more close-Mr. Akers also announced a se-

ries of changes in IBM's top echelons. The post of vice chairman, Under the plan, thousands of which had been vacant at the com-IBM employees will switch jobs or pany since the middle of last year, which had been vacant at the comwill be shared by two IBM veterans: Kaspar V. Cassani, 59, the former head of IBM's European operations, and Jack D. Kuchler, 55, an outspoken engineer who has been the driving force behind many of IBM's most successful mainframes and who has a reputation as

Another longtime IBM executive, Terry R. Lautenbach, will take over as general manager of a new entity within the company, called IBM United States. Mr. Lautenbach will be responsible for overtion responsible for personal com- seeing virtually all of the compaputers could now decide by itself to my's product development and its manufacturing sites and research bring out a new model rather than domestic marketing arm, two parts facilities.



Kaspar V. Cassani



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complained do not operate in sync. Mr. Akers said he hoped to accelerate a two-year effort toward significantly reducing IBM's head-quarters staff, sending "several thousand" of those employees back into the trenches of sales offices,

BP Gets Stake From Arco, Has 54% of Britoil

LONDON — Atlantic Richfield Co. said Friday that it had formally accepted Brit-ish Petroleum Co.'s offer of 500 pence a share, or £606.2 million (\$1.08 billion), for its 24.03 percent holding in Bri-

With Arco's 121.22 million shares, BP now has about 54 percent of the company. Bri-toil's board is resisting BP's £2.5 billion takeover bid.

Arco also said that it was considering a full bid for Tricentrol PLC, another North ing a stake of 13.79 million res, or about 14.8 percent, at up to 180 pence a share.

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Tricentrol shares were quoted at 188 pence on the London Stock Exchange, up 1 pence, after Arco's statement. Tricentrol is resisting a bid

at 160 pence a share, or £149.4 million, by the French oil group Societé Nationale Elf-Aquitaine. On Thursday, Tricentrol said Elf's offer, raised from 145 pence, was "still wholly inadequate."

MEXICO: Scant Demand Forecast for Bond Auction

(Continued from first finance page) York are pessimistic. Even regional banks, which are less exposed and seem eager to get out of risky foreign lending, do not seem excited by the plan, they said.

"I don't know of any regionals that intend to participate," one He said he thought these banks

would rather sell their Mexican debt at the current price of 50 cents on the dollar in the secondary mar-ket for Third World loans, rather than bid for a bond that will not mature for 20 years. Analysts have noted that banks face a danger that the bonds themselves might fall in

North Carolina's NCNB Corp. and First Union Corp., for in-stance, have sold all their Mexican

also are unlikely to trade debt for Mexican bonds, sources at these banks said. -

The plan has also found little support among European institu-

rather hold the debt, receive interest and not yet take the actual loss. Japanese banks, too, are unlikely to join in the exchange until tax provide relief for loan write-offs, Other bankers said that was said Peter Rona, president of IBJ highly unlikely and questioned the Schroder Bank & Trust Co. legality of Mexico buying its own

Sales of Mexican debt have indebt, albeit through agents. creased in January, debt traders said, but the price has not fallen because demand remains high. A few speculators are thought to be buying to try to profit from the ket at 50 cents and then tender at bonds-for-debt plan, as a loan pur- 60 cents," a banker said. "But I chased for 50 cents on the dollar believe that is against the original could perhaps buy bonds valued as

high as 70 cents. Some traders said the Mexicans

that Morgan was buying debt. "It would be smart of Morgan to

Bankers also reported rumors

buy the debt on the secondary marintent of the plan." A spokesman for Morgan said:

"We categorically deny that we are might be purchasing their own debt buying the debt to tender it for before the auction.

Cogema Sues on Matif Loss

Many European banks, already cushioned by reserves against loan losses as high as 80 percent, would

and accounting laws are changed to an unnamed party.

processing company filed suit on fraud allegations as a result of Buisson & Compagnie, which managed a 300 million franc Matif

ments Financiers, known as Matif, 80 million franc error in its books. where traders speculate on interest where traders speculate on interest rates, was set up in February 1986 among moves to make Paris a son was responsible for the ac-

The Marché à Terme des Instru-had filed a suit after discovering an

world financial center to rival Loncounting irregularities.
The Matif clearing house,

It had announced in December

PARIS — The Paris bourse's that it had lost about 250 million debt.

First Interstate Bancorp and Security Pacific Corp. in California also are unlikely to trade debt for also are unlikely to trade debt for

Cogema filed a suit on charges of CCIFP, said it was carrying out an breach of trust and fraud against investigation into the Cogerna and

- ADVEDTISEMENT

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INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 29th Jan. 1988 Net asset value apartations are supplied by the Funds listed with the exception of some quotes based on issue price. The marginal symbols ledicate frequency of quotations supplied: (a) - daily; (w) - weekly; (b) - bi-monthly; (r) - regularly; (i) - bregularly.
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Delaware Law Curbing Hostile Takeovers Expected Soon By Stephen Labaton For example, a takeover could be completed overs. He also has asked that the SEC be given if the buyer, while crossing the 15 percent more authority to make rules about takeovers.

New York Times Service NEW YORK - Delaware will soon have a new law that makes hostile takeovers of corporations more difficult.

The Delaware Senate on Thursday passed a

new provision to the state's corporate laws, and Governor Michael N. Castle, a Republican, is expected to sign the measure next week. Delaware is the legal home to more major companies than any other state in the United States, Almost 18,000 corporations are chartered in Delaware, including 45 percent of the companies listed on the New York Stock Ex-

change and more than half of the Fortune 500 The action by Delaware comes as takeover ine action by Delaware comes as taken over activity in comporate America has begun to heat up again. Until recently, mergers and acquisitions had fallen off sharply after the stock market phunge last October. Before the market collapse, 1987 had been a banner year for hostile bids.

Under the proposed law, an unwanted buyer who acquired more than 15 percent of a company's stock could not complete the takeover for three years. But the law also contains provisions that make it less onerons than anti-takeover laws in other states.

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threshold, manages to buy at least 85 percent of the stock outstanding. The 85 percent excludes shares held by directors who are officers and certain shares held under employee stock plans.

proved by two-thirds of the shares voting in a special election, excluding the shares held by the bidder. Every company incorporated in Delaware would be covered by the law unless its board and shareholders decide to opt out. Once adopted, the new rule will apply retroactively to

A takeover could also be completed if ap-

The Senate passed the bill, 19 to 1, with no debate. According to Reuters, the negative vote came from the Democratic majority leader, Thomas Sharp, who had considered introductions of the measure than the control of the ing a different version. The measure unanimously passed the state's House of Representatives earlier in the week.

T. Boone Pickens, the Texas oilman and takeover specialist, had financed a group that lobbied hard against the Delaware measure. A number of institutional investors also objected

The move by Delaware is one of the most significant corporate law developments since a ruling by the U.S. Supreme Court last spring on state corporate laws. The high court ruled that an Indiana law intended to curtail hostile take overs was not unconstitutional or pre-empted by federal securities laws.

to the proposal.

After the court's ruling, legislatures in 13 states adopted laws that curb unfriendly acquisitions. Many of those state legislatures acted when corporations within their borders were under siege from an unwanted bidder. At least 27 states have some kind of law limiting hostile

Delaware derives about \$156 million, or 16 percent of its revenue, from franchise taxes and fees associated with incorporation. Delaware The proposal had been opposed by three fees associated with incorporation. Delaware commissioners of the Securities and Exchange Commission including David S. Ruder, the chairman. Mr. Ruder has proposed to Congress that there be one national rule governing takenot act to limit takeover tactics.

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E-II Asks Shareholders To Reject Takeover Bid

United Press International

CHICAGO — E-II Holdings Inc.'s directors have unanimously recommended that the corporation's shareholders reject the \$13-a-share, \$871 million bid by American Brands Inc., the company said Friday.

American Brands' hostile offer, undertaken to block takeover advances by the smaller company, includes tender offers for two classes of E-II's debt that brings the total value of its bid to about \$2.4 billion.

E-II's chairman, Donald P. Kelly, said the recommendation followed independent analyses by two investment banking firms concluding that the American Brands offer was inadequate.

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Describing a century of dramatic news, and how it was reported. <u>"THE INTERNATIONAL</u> HERALD TRIBUNE THEFIRST HUNDRED YEARS* is the unique, full-length history of the world's first international newspaper. Author Charles Robertson, a professor of govern-ment at Smith College

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each chapter.

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CURRENCY MARKETS

Dollar Rises, Ending a Stable Week

London Dollar Rates

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Compiled in Our Staff From Disputches
NEW YORK — A flurry of reckend purchases on Friday shed the dollar higher, ending a eck of unusually stable foreign

There are lots of disagreements inside dealing rooms on the dollar's future trend, lots of confusing signals from economic indicators." dealer at a major British bank said. We could be in for quite a bit of

Samuel Lek, a vice president in against the British pound, which closed at \$1.7660, against \$1.7810 on Thursday. day but found they could not.

So_rates were slightly higher hen traders bought dollars near the end of trading to square off their accounts," he said. The dollar traded in the 127-128 yen range all week, in marked con-

trast to its more volatile performances earlier this year. Traders said central banks intervened whenever the dollar threat- francs, up more than 2 centimes ened to dip beneath 127 year. In New York, the dollar closed at

French francs, up more than 4 cen- traded all week within a mere 2 1.3575.

from 5.6270.

darks, up from 1.6675. day.

The dollar closed in Zurich at The dollar closed at 5.6665 Dealers noted that the dollar had 1.3650 Swiss francs, up from

pfennig and I yen range, and said volume had been low.

Next week's major event is the U.S. Treasury refunding, but unless it is spurned by Japanese investors, many dealers in London said, it will have little effect on exchange

The dollar's modest rise was at tributed by some to a sharp fall in times from 5.6215; and at 1.3700 gold bullion prices and to vague rumors of a Group of Seven meetine this weekend.

"We don't believe in them, but we do trade on them," one dealer at a U.S. bank said of the rumors. In London, the dollar also closed Although the release of the U.S. higher. Dealers said it had little trade figures was already eagerly hope for escape from its recent nar-awaited, some dealers said there

row trading band until the U.S. were signs the market was looking trade ligures for December are released on Feb. 12.

In London, the dollar closed at 1.6765 DM, up from 1.6690 on Thursday, at 127.70 yea, up from a slowdown in the U.S., or even a 127.20; at 1.3658 Swiss francs, up recession, with its implication from 1.3587; and at 5.6543 French terms of lower interest rates." recession, with its implications in Earlier in Europe, the dollar was

fixed in Frankfurt at 1.6759 DM, The dollar was also stronger up from 1.6691 on Thursday, and 128.05 yen, up from 127.175 on sgainst the pound, which closed at in Paris at 5.6530 French francs, up Thursday, and at 1.6815 Deutsche \$1.7695, against \$1.7825 on Thurs-

Gold Falls \$12 To 6-Month Low of \$454

NEW YORK -- Gold bul-lion fell more than \$12 to sixmonth lows on Friday on technical liquidation by speculators and fund traders.

Dealers also blamed the firmer dollar and signs of slowing U.S. inflation. Although closing off its lows, spot gold finished \$12.30 lower at \$454.20 an ounce, while gold for April delivery lost \$13 to \$458.50.

Bullion analysts said the lows were reached on selling after the afternoon London gold fixing at \$458.00, the lowest since Nov. 5.

Gold closed at \$456 in London, down more than \$10 from \$466.50 at Thursday's close. The decline from the highs at the opening through successive support levels at \$465 and \$460 took place in the busiest trading conditions for a month, dealers said.

DAVOS: Economic Forum Warns Against Global Currency Instability

the correction of the U.S. trade said. deficit would cause graver shocks than most people were expecting.

He forecast that the U.S. trade balance would turn around dramatically, probably moving into surplus in the early to mid 1990s. As a result, as the Japanese and West German trade surpluses fall to near zero, a number of other countries, particularly in Europe, would move into deficit, perhaps creating strains within the Europe-

an Community, he said. The U.S. merchandise trade defibillion for 1987.

Japan's merchandise trade surplus was \$96.46 billion in 1987, compared with \$92.83 billion in 1986, according to figures released Friday. West Germany reported Friday that the merchandise sur-plus was 117.5 billion Deutsche marks (\$70.48 billion) in 1987, breaking the record 112.6 billion DM set in 1986.

Mr. Howell went on to say that as part of the adjustment process, the United States would have to

be painful but not catastrophic," he plus countries in Asia and Western ognize that knowledge is increas-

Robert Heller, a member of the Federal Reserve Board, said that growth, not recession, was the right way to correct trade imbalances.

"It is important to emphasize by protectionism or a recession in the United States," he said. "That would be a prescription for global stagnation and maybe even global

Mr. Tietmeyer said that while cit in 1986 amounted to \$156.2 bil-imbalances still posed a big threat lion, and it is forecast to reach \$179 to the world economy, the adjustment process had in fact already been under way for a year and a half, partly because of the fall in the value of the dollar.

> West Germany had done its part, along with Japan, he said, by allow-ing a strong increase in its budget deficit over the past two years. The deficit had moved from 2.2 percent of gross national product in 1986 to 2.7 percent in 1987, with 3.5 per cent forecast for this year, he said

Nevertheless, he agreed that coreduce its living standards, just like operation between the leading in-other big debtor nations such as dustrial countries should perhaps Brazil, Poland and Argentina. "A take place "more speedily than four percent reduction in our in- now," and suggested that further come over half a dozen years will efforts were needed by other sur-

Willy de Clercq, the European Community's commissioner for external relations, warned European companies to start restructuring right away to prepare for the much stiffer competition they will face that the adjustment of trade imbal- after the community becomes a sinances should not be brought about gle market in 1992 and the current round of trade talks in GATT is

completed in 1990. There is no point in trying to resist these developments. "Don't try to save your skin by lobbying do it by restructuring," he urged. Structural flexibility to meet rapidly changing world conditions was also urged by Bruce Smart, the U.S.

ternational trade.

undersecretary of commerce for in-

ingly the most important basic resource, not materials and labor," he said. "Knowledge must be sought everywhere, not just in one's own country, and products made on a world scale are usually cheaper and better than those designed for a single national market.

A similar point was made by Mr. Nakasone, who said that intellectual property, such as patents and information, was already playing a major role in the U.S. conomy, which was not reflected in interna tional statistics.

Economic statistics should be revised to take account of intellectual the United States in a very strong The first rule for companies position — "the United States has and governments in today's already embarked on the post-inchanged economic climate is to rec-dustrial society," he said.

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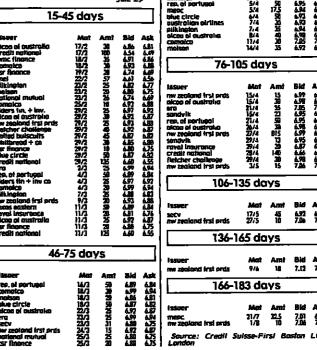
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Japanese Investors Cut Foreign Bond Purchases in 1987

TOKYO — Japanese investors bought about 22 percent fewer foreign bonds in 1987 compared with the previous year, the first time since 1980 that net purchases have declined, the Finance Ministry said

They blamed the decrease largely on the volatile yen/dollar excha rate in a period when the dollar generally slumped against the Japanese currency and on fears from August through October of a rise in U.S. interest rates.

'Japanese investors' net purchases of foreign bonds, excluding

lion in 1987, down from \$93 billion in 1986, they said.

They predicted that the slow demand for foreign bonds would con-tinue in 1988, despite any revival of buying caused by the current stabilization in the yen/dollar rate.

Japanese investment bankers said Friday that Japanese investors were unlikely to make strong bids at the U.S. Treasury's auction of \$8.75 billion of 30-year bonds next week investors are reluctant to take risks before the end of their financial year on March 31.

"Bad memories of dollar tumbles

short-term bills, totaled \$72.9 bil- and subsequent bond price erosion net sales of \$2.11 billion in 1986, just after recent auctions are also they said. Foreign investors may Daiwa Securities Co.

But the bond managers said the auction was likely to be a modest success because of healthy demand from U.S. institutional investors.

The decline in 1987 net pur-chases came after a particularly high level of buying in 1986, the officials said. Net foreign bond purchases nearly doubled in 1986 from \$53.5 billion a year earlier.

For their part, foreigners bought a net \$6.68 billion in Japanese bonds in 1987, in sharp contrast to

depressing investors," said To- have bought Japanese bonds in lus when the deep recession threat-shirou Ishibashi, a chief dealer at 1987 on expectations of a stronger ened to get out of hand.) ven, after selling to take profits in 1986, the officials added.

> Net purchases of Japanese bonds by foreigners totaled \$1.04 billion in December, up from \$817 million in November. Their net sales of Japanese stocks decreased to only \$977 million from \$8.84 billion a month earlier, ministry figures showed. After the stock market collapse in October, foreign investors worldwide repatriated funds by selling in overseas markets.

SCENE: The Outlook on Recession

med from first finance page) — deposit liabilities of commercial banks plus currency liabilities of Volcker swung to monetary stimuthe Fed.

"The monetary base, over which It is far from clear that Mr. Greenspan meant to slow the growth of the monetary aggregates as much as occurred. Professor commercial banks' stresses that the Fed does not have as complete short-run control over

the Fed can exercise tight control," Mr. Bell says, "often goes in opposite directions to M-1 for consider-

able periods of time because of changing actual reserve ratios of Whatever its reasons, the Fed the growth of the money supply as does appear to have held an ex-many people assume. He explains tremely tight grip on monetary exthis by distinguishing between the pansion during the second half of 1987. The threat of an unbalanced monetary base - the Fed's deposit

and currency liabilities, which are economy and a recession, manifest altered by open-market purchases in the new GNP data, may cause the Fed to ease its monetary policy.

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Via The Associated Press

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Soviet Trade With West Fell 4.6% in 9 Months **As Moscow Cut Imports**

MOSCOW - The Soviet Union's trade vol-MOSCOW — The Soviet Union's trade vol-ume with the West fell by 4.6 percent in the first nine months of last year as Moscow cut back its purchases of Western goods, Tass said Friday. The agency said that trade with Western countries from January to September of 1987 totaled 20.7 billion rubles (\$34.6 billion), down 1 billion rubles from the first nine months of 1084

Foreign analysts said the Soviet Union apparently was cutting back imports of Western goods because of reduced revenues from the raw materials it exports, especially oil.

Tass also reported that oil output was 624 million metric tons (686.4 million short tons) for the year, 7 million tons more than the

The figures indicated that the Soviet Union was running a merchandise trade deficit with the West of about 300 million rubles for the nine months, which analysts said showed an

nine months, which analysts said showed an improvement.

They noted that for all of 1986, the deficit with the West was 2.72 billion rubles.

Tass said the Soviet Union imported 10.5 billion rubles of goods over the nine months, while exports totaled 10.2 billion rubles. Exports had grown by about 550 million rubles over the same period a year earlier, it said.

Analysts said imports had been depressed by greater pressure to use Soviet technology instead of importing it from the West, as well as the recent reorganization of the Soviet trade administration to adjust to changes under the Soviet leader, Mikhail S. Gorbachev.

The Soviet Union has recently abolished its Ministry of Foreign Trade and a related state committee, and created a new Ministry of Foreign Trade and a related state

committee, and created a new Ministry of For-eign Economic Relations to take their place. "The whole trade apparatus is being reorganized, and it's having an effect," a foreign analyst said. "No one in the West is willing to sign contracts."

Tass said on Jan. 23 that the volume of Soviet

rade with all countries had decreased by about 2.2 percent in all of last year.
West Germany remained the Soviet Union's biggest trading partner in the West in the nine months. But Tass said trade with Bonn from

fanuary to September was 3.7 billion rubles, down by 600 million rubles from a year earlier. Soviet imports from West Germany amounted to about 2 billion rubles over the nine months, Tass said. Finland was the second largest trading part-

ner, followed by Italy, France and Japan.

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CENTURY OF NEWS

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THE TRIAL OF SOCRATES

Christopher Lehmann-Haupt

34 Beacon Street, Boston, Mass. 02106.

By I.F. Stone. 282 pages. \$18.95. Little, Brown,

SOCRATES'S drinking of the hemlock in 399 B.C. must surely be counted among the most

dramatic acts of human history. Yet is anyone clear

on why exactly the ancient Greek philosopher in-

sisted on accepting his death sentence from the

Athenian court when he could probably have es-

caped into exile, or on what the events were that led

dialogues, seems to suggest that his mentor got into trouble for exhorting his fellow citizens to virtue.

Some classical scholars take literally the apparent language of the court's indictment, which, accord-

ing to Plato's paraphrase of it in his "Apology,"

read in part that "Socrates is a wrongdoer because

he corrupts the youth" of Athens. Still others focus

on the second part of the indictment, that Socrates

DENNIS THE MENACE

Plato, who made Socrates the hero of his famous

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BOOKS

"does not believe in the gods the state believes in, but in other new spiritual beings," and suggest he was only the most famous victim in a wave of

and now I.F. Stone has joined the chase in his 12th book, "The Trial of Socrates."

libertarian, this one-man investigative gang who put out I.F. Stone's Weekly for 19 years, this author of such books as "Underground to Palestine" (1946), "Hidden History of the Korean War" (1952), "The Haunted Fifties" (1964) and "The Killings at Kent State" (1971), suddenly grazing in the peaceful pastures of ancient history?

society as his beloved Athens. How could it have happened?

arrives at. Essentially, Stone reasons, Socrates was put on trial because he didn't believe in democracy as the city-state of Athens practiced it, but rather in an absolutist form of leadership by "the one who knows." What precipitated his indictment at the age of 70 were the upheavals brought on by the Peloponnesian War and the threat in 401 B.C. of yet another takeover by anti-democratic people who had been students of Socrates and whose like had seized leadership in 411 and 404.

and provoked the court into imposing his death sentence: Stone believes that the philosopher wished to die in any case and that to have articulat-ed the defenses available to him, such as the right of free speech, would have meant conceding democratic principles to a system he held in contempt.

Stone's reasoning is far from flattering. In point of fact Western civilization's first great philosopher stands accused of snobbery, class prejudice, conceit, arrogance, negativism and coldness to his wife.

Still, the case Stone makes is impressive. His reasoning, though often necessarily circuitous, is persuasive, whether he is gleaning evidence from the works of Homer and Aeschylus to show what a poor choice for an archetypal ruler Socrates' nomination of Agamemnon was, or winnowing the ancient Greek language to see what the true meaning of certain key words, such as those that appear in Socrates' indictment, might be.

More important, Stone's scholarship is alive and engaging. As Stone writes in his prelude, "our attempt at a new understanding of the trial of Socrates will also become a fresh look at classical antiquity. It is our yesterday, and we cannot understand ourselves without it."

Why is this maverick journalist, this dogged civil

The answer is a complicated story involving the angina pectoris that forced Stone to give up editing his weekly in 1971 at the age of 64; a word processor

persecutions aimed at irreligious philosophers.

The issue has continued to tantalize posterity.

producing bold enough type for him to overcome a cataract in writing the present book; a lifelong

Solution to Last Week's Puzzle

with the Greeks," and a need to understand how the trial of Socrates could have happened in so free a

One can give away his answer because there's so much more to his book than the conclusions he

passion for philosophy that led him to fall "in love

As for why Socrates refused to defend himself

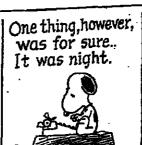
The portrait of Socrates that emerges from

Christopher Lehmann-Haupt is on the staff of The





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World Stock Markets Via Agence France Presse Closing prices in local currencies, Jan. 29

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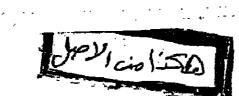
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AN SWIM

By Ira Berkow New York Times Service

SAN DIEGO - If you were a tree what kind of tree would you "A what?" asked Ricky Natticl,

the wide receiver for the Denver

"Un-huh. A radio reporter the

ther day was asking players, "If in were a tree, what kind of tree would you be? He didn't get to

you?"
"No, and I'm glad be didn't." "How would you answer it?"

Nattiel thought for a moment. 'A money tree," he said. "Abso-

-Walter Bowyer, the Bronco detensive end had another kind of tree in mind. "A cheese tree," he

"T like cheese," he explained. Simon Fletcher, a linebacker for the Broncos, shook his head. "I wouldn't be no tree," he said, with nderstandable scorn.

In partial defense of that question, there was just about nothing plore to ask of the players and boaches, as the 2,300 reporters from all over the world converge during Super Bowl week here, and so questions were either being re-

peated or strained. And sometimes there was just about nothing more for the Redskip and Bronco players and coach-

And there were three days to go! The players sat at tables in large literati from a podium.

Coach Dan Reeves of Denver, for example, was asked yet again, will this he a low scoring game or high-scoring? "Both teams are ca- York Giants. able of scaring a lot of points," he 🧭 One reporter asked Stefan long-lasting Or a spruce . . ." id, and both teams are capable Humphries, the Bronco guard,



Dexter Manley of the Redskins found himself at center stage not once but thrice on Thursday.

Whatever this means, I don't

And Joe Gibbs, the Redskins' coach, was asked the same question. "Depends on the big plays." he said. "We're both capable of making them. But then if the defenses get at each other, there won't be big plays. So you never know. i, I'm the last guy to ask." Then there are all the expected

estions about the game's super-"Everybody's asking about El-

way," said Monte Coleman, a Red-skin linebacker, looking slightly miffed, "What about me?

Meanwhile, someone comes up with a tree duestion. Or an animal in the zoo question: If you could be any animal in the zoo . . .?

Someone asked Eric Yarber, the Redskin kick returner, "What kind of girl do you think Sigmund Freud would so for?

"A dizzy dame," Yarber replied. "Correct," said the interviewer, and he chirped merrily off. Karl Mecklenburg, the Bronco

linebacker, had been asked, If there white tents beside their hotels, and was one thing he could change were engaged by rings of reporters. about last year's Super Bowl, what The coaches addressed the sporting would it be? "The score," he replied, with he would most be like. "A Japanese more than a hint of irritation. The maple, because they're so colorful,"

Broncos, of course, had been on the he said. "Or a sycamore, because short end of it against the New they shed a lot, the way I do tack-

"My mother's German chocolate

cake," he said. The reporter, himself partial to German chocolate cake, nodded, and duly jotted this in his notebook. "And your mother's name?"

"Harold" said Humphries The reporter looked up. "Unusual first name for a mother." Humphries smiled. "It's actually Maud," he said. "But because of

that movie, sometimes I refer to her as Harold. "I see," said the reporter, and eased away from the table. R.C. Thielemann, a Redskin

uard, said he'd want to be a shoe tree. "To fit my big feet."
"An oak," said the 5-foot-8-inch
(1.7-meter) Yarber. "I've got a little
man's complex, and I want to be

Mark Jackson, the Bronco wide

lers. Or an oak, because they're

He was interrupted. "How do

want to be a bush."

"An alligator," said Orson Mobley, Bronco tight end, "because I big, strong and sturdy. like water sports." "A panther," said Steve Hamil-K.C. Clark, the 5-10 Bronco defensive back, had another theory. Redskin defensive end and "Since I'm short," he said, "I'd

tackle, "because they're laid back Timmy Smith, the Redskin run-ning back, would be, he said, "a Redskin center and guard. The zoo keeper, no question about it. If Why? "Because I really don't feel I'm in a zoo, I don't wanna be no

short, fat, and likes to wallow in the

Branch, the Redskins' running back, "because he's mean, vicious,

rough, tough and takes nothin

tiger," said gentle Reggie

So the Xs and the Os and the eceiver, thought about which tree trees and the animals had all been

Orson Mobley was asked one "A flower." it was suggested, "what kind of flower would you

"Hmm," he said, stroking his chin. "You've got me on that one."

When All Sunday's Factors Are Assessed, Last Line Is: Can Redskins Stop Elway?

SAN DIEGO - For an early word on how Super Bowl XXII might swing between the Washing-ton Redskins and the 3½-point favored Denver Broncos, let us defer to a couple of newspaper stiffs, Tom Landry and Howie Long.

"If the Redskins don't commiturnovers," Landry, the coach of the Dallas Cowboys, wrote in one of his daily columns, "and they hit a big play or two, which they're very capable of doing, you may see a rare Super Bowl upset."

"The Redskins' only chance" to stop the Broncos' quarterback, "I did a leaf report that I was so John Elway, "might be to bring in The Big Chief from D.C. to do a proud of in high school," he said. As for animals in the zoo, Jackrain dance," wrote Long, the longson thought of a cheetah, because time defensive stalwart of the Los he's fast, and a fox, because he's Angeles Raiders. "It is said the "Best yet, a combination," he only way to really stop Elway is said. "A feetah, or a chox."
"A pig." said Greg Kragen,
Bronco nose tackle, "because he's with a monsoon.'

Like everyone else, the Redskins will be attacking Elway with three 11-man waves. They want the defense to keep his passing numbers from rocketing off the charts; they want the special teams to present him with lousy field position; they want the offense to buy both time and points.

from nobody."
"A bear," said Rick Kehr, Red-"We're gonna need 30 or more skin guard, "one with a sore backpoints," said the Redskins' defenside. They can get grumpy."

"An elephant," said Thielemann. rive coordinator, Larry Peccatiello. Smiling, he added: "We don't want to put too much pressure on the

When last the Redskins and Broncos met, in Denver in the nextto-last game of the 1986 regular season, all that 30 points got the Redskins was a sad plane ride that are killers against coverages home. That and a new place-kicker, said a recent victim, the Minnesota since Max Zendejas had missed on an extra point and a 41-yard field goal late in the third quarter.

Redskins ran well. George Rogers gained 93 yards on 24 carries and a starter for the first time in nearly Kelvin Bryant averaged 4.2 yards two months, he was a combined 23 on 5. They ought to be able to do for 55 in Redskin playoff victories that again because of Washington's over the Chicago Bears and Vikings. enormous size advantage on the But that statistic is less negative than offensive line. The smallest, 260- it seems, Williams argues. Several of pound (118-kilogram) center Jeff those incompletions were throw-



Ouarterback John Elway, who most consider to be the key to who vins the Super Bowl, blew a bubble while listening to instructions from the Broncos' coach, Dan Reeves, at practice Thursday.

fensive linemen.

If the Redskins are able to run, quarterback Doug Williams can trigger a pass offense every bit as to be in the Super Bowl and facing a sophisticated as Denver's.

"Washington does some things Vikings' linebacker, Jesse Solomon. They are the only team I know with a quality catcher at every catching In that 31-30 Denver victory, the spot and for every role."

Williams is the pivotal player. As Bostic, is within five pounds of the aways to avoid a sack. His only sack

largest of Denver's three down de- and interception of the postseason came against the Bears.

Earlier this week, Williams star-

tled some when he said: "I'm happy

guy like Karl Mecklenburg." What? "That's who I face." Williams said of the Bronco who lines up in

so many places on defense. "John Elway has to deal with Charles Mann and Dexter Manley. Early on, the Bears dealt more than adequately with Mann, Man-

The Bears even ran effectively from that set. Now, Long and some other defensive specialists figure that the Redskins must devise some sort of plan that keeps Elway from improtional Football League terms a usually follow Super Bowl losses with

shadows the quarterback from the Raiders, Dolphins and Cowboys, defensive side of the ball. If the ready near the line of scrimmage to member being beaten badly by the make the tackle. "We used [Brian] Bosworth," said the Seahawks' defensive backfield coach, Ralph Hawkins. "He's a guy

fast encuels to run Elway down. season, the Redskins insist they will sistently dominant. "We don't like using it, as a general rule," said Peccatiello. "We realize Elway's tremendous ability. However the weak anywhere, which

er, you use a spy at the expense of shouldn't be overlooked." either your pass rush or your cover-

lic would probably imagine," said the Broncos' receivers coach, Chan Gailey. "We have a designed re-

imagination to get open. With John, he's so creative that you have to be imaginative yourself to get open."

Fortunately for the Redskins, they have enough quality rushmen to pressure Elway, and enough quantity to keep everybody relatively fresh. Also, the secondary

Elway completed several critical passes last year against Barry Wil-burn, who this season led the NFL in interceptions. The take-no-prisoners safeties, Todd Bowles and Alvin Walton, are in their first full season, and Darrell Green appar-ently is healthy enough for full duty at comerback and extended use on

"We couldn't have asked for better preparation coming into this game." Peccatiello said. "We played Marino, who presents passing prob-lems much like Elway does."

But what separates Elway from Dan Marino, the Miami Dolphins' tender-kneed star, is the ability to

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improvise on the run. Wade Wilson of the Vikings "had some maneuverability, al-though not like Elway," added Peccatiello. "Our players were able to see how that can hurt you if you aren't careful. It's not like we've

been playing wishbone teams."

The Redskins' deep backs are certain to make their reintroductions to the Broncos' receivers quickly.

"The Amigos are going to get rapped," the Buffalo Bills' general manager, Bill Polian, told the Los Angeles Times. "It doesn't matter if they catch the ball or not, they're going to get it from a more physical secondary than maybe they've seen." Elway is comfortable with Super Bowl pressure, having completed 22 of 37 passes for 304 yards and a touchdown in the loss last year to the New York Giants. Only Phil ley and the rest of Washington's Simms, by being nearly perfect, defense by using the shotgun for-mation Denver features so much. yards and 3 touchdowns, could dwarf such a performance.

Elway "is the greatest quarterback to play in a long long time," Hawkins said. "He can turn disaster into a great play." Many give the Broncos the men-

Many defenses use what the Na- tal edge, the logic being that teams "spy" against mobile quarterbacks. victories. The Kansas City Chiefs That, generally, is a linebacker who won the second time, as did the But there likely are enough Redquarterback tries to run, the spy is skins, players and coaches, who re-

Raiders four Super Bowls ago to narrow that psychological gap. Sunday's showdown also is likely to be closer and more dramatic than any of the previous 21, be-But in their biggest game this cause neither defense has been con-

Nobody is overlooking the negaage. We're not willing to sacrifice tive impression that shadows Den-

either of those. We feel like we've ver's and Washington's place-kickgot to take our chances with people ers. Rich Karlis missed on a 23doing a better job of rushing and yard field goal at a critical time containing. We can't afford to take against the Giants last Super Bowl; anyone out of either area."

Ali Haji-Sheikh missed from 38 Really, our offense is much and 47 yards in the National Con-more disciplined than John Q. Pub- ference title game.

sponse for everybody when a Sunday, there is this link: Landry has yet to choose a winner. As of "We run disciplined routes and Thursday, Long, too, was neutral.

Manley Finds There's a Stick, but No Carrot By Tom Friend

Washington Post Service

SAN DIEGO - Dexter Manley, the Washington Redskins' defensive end, began the day Thursday distributing "Grapefruit — The Breakfast of NFC Champions' T-shorts. He ended it feeling sour.

with a prepared statement of which he was quite proud. Enguifed by about 50 members of the media, he said, "I'm really not very much like the president."

are rependous that is order to save your must are my he's supposed to be."

writing, and I will study them and submit my answers
in writing."

Normally, Gibbs doesn't want Manley doing many interviews because he often says something outlandish

He replied, "I didn't want to come back," then repeated his speech. He finished by screaming at the top of his lungs: "All questions in writing:" With that he left. Again.

Ten minutes later, at the prodding of his coach, Joe Gibbs, Manley was back again. "When the boss speaks," Manley explained, "E.F. Hutton listens." At that point, Manley said that the Super Bowl hype had ceased being fun Tuesday night, after he'd heard about 127 questions concerning Denvez quarterback

ethen began reading his speech.

Gibbs, later, said Manley "understands he hand," said Carlyle, who made six of nine shots in the "Ottay," he said, "there are so many questions that should be been there. I apologize for that." Then he second half. "I wasn't going to stop shooting. Coach are repetitious that in order to save your time and my added: "Dexter needs to get on the stick, and be where [Bob Staak] told me not to stop shooting."

to fire up opponents. So Manley was surprised Thurs-After pow-wowing with Redskin publicists, he re-turned to find a written note on his seat that read: He didn't want to go. "I'm not getting paid for it,"

Having skipped Wednesday's interview session be-cause he was "tired," Manley showed up Thursday

To Wake Forest Rally

Once I hit my first few shots, I knew I had the bot Trailing by 14 points early in the second half, Wake

Forest used the three-point shot to close to 56-52 with 13:35 left. Carlyle sank the first two three-pointers and Cal Boyd ended the burst with two more. Then a

Ivy and Boyd each scored 18 points for Wake

By Michael Janofsky

New York Times Service

Then, in September 1981, almost as an affirmation of boom-

They gave us half a billion dollars

and will pump more than \$1 billion into the local economy.

"The Olympics came along at a fortnitons time for Calgary,"

said Max Foran, a high school principal and anthor of two books on Calgary. "They gave the city a material and psychological boost in the arm and infused a climate of positivism."

Mayor Raiph Klein, 45, called the Games a "Godsend. They

1968, and to Sapporo, Japan, for the 1972 Games. Undannted,

Calgary tried again and beat out Vancouver, British Columbia,

for the right to be the Canadian city to bid for the 1988 Games.

That left the organizing committee two years to wine, dine and

lobby IOC members, selling the virtues of the city other than the

one for which it is best known, the annual Stampede, a 10-day

For one thing, Calgary had grown into the energy capital of Canada, with the national headquarters of nearly 600 oil com-

panies. For another, organizers had promises of cash or credit of

\$161 million from the federal government, \$100 million from

Alberta and \$40 million from Calgary to be used for new

On the second ballot, Calgary carned enough votes to defeat Falun, Sweden, and Cortina d'Ampezzo, Italy. "We had decided

that when the vote was announced, and if we won, we would just

facilities and improvements on existing ones.

party of rodeo events and folks wearing Wild West get-ups.

was going on.

--- Calgary Mayor Ralph Klein

in new construction when nothing else



scramble occurs.

SPORTS BRIEFS

Zurbriggen Wins Downhill The euphoria, however, was short-lived. By the end of the year,

season and gain first place in the overall standings. He has 211 points to Alberto Tomba's 206. The Italian doesn't ski downhills, but can regain the lead in Saturday's giant slalom.

Zurbriggen clocked I minute, 59.28 seconds down a 3.408-meter (3,795-yard) course that dropped 1,010

Michael Mair of Italy, who won last Saturday's downhill, was first off and first to fall. Right afterward, Leonhard Stock of Austria, the 1980 Olympic downhill champion, fell at the same spot, to be followed by Felix Belczyk of Canada, who won a Super-G earlier this week, and Jeff Olsen of the United States.

Love Putts Into Golf Lead

having changed to a new putter, sank six birdie putts and one eagle putt of 20 feet (6 meters) Thursday to shoot an eight-under-par 63 for a three-stroke lead after one round of the Phoenix Open golf tournament. Larry Nelson, Ken Brown of England, Steve Jones of Phoenix and Chip Beck were at 66. Defending champion Paul Azinger carded 76 after a quadruple-bogey 9 on the third hole, where he hit his first two shots out of bounds.

was one of about 60 people arrested in an Aurora, Colorado, police "sting" Jan. 15 that used an escort service to draw sexual solicitations, police said Thursday. Natt quickly called a news conference to apolo-

stored to maintain the ski venues. And, with ticket sales exceed- poned Friday until Feb. 20-21, after the Olympic competition, because of a lack of snow,

 Announcer Al McGuire, on his coaching style at Marquette: "I wanted my teams to have my personal-

poured. Now, we need to diversify our economy and take advantage of the feelings the Olympics will leave. We're hoping people say, 'Boy, that was a good city,' and will want to come back."

| All of fame golfer Gene Sarazen, asked his greatest thrill: "Collecting my first Social Security check."

SCOREBOARD

"Why did you come back?"

THURSDAY'S RESULTS

Basketball **National Basketball Association Standings**

(Pressey 9); Denver 42 (Rosmussen 8). Assists: Althoustee 27 (Pressey 9); Denver 28 (English, Adoms, Lever 8).

LA Lakers 34 27 26 24—115 Socramente 29 24 25 24—14 Worthy 10-13 4-6 25, Johnson 6-10 6-6 18; Thorpe 9-185-521, Thouse 7-70-014. Rebounds: Los Angeles 55 (Green 13); Socramente 49 (LThompson 10). Assists; Los Angeles 26 (Johnson 9); Socramente 26 (Thous 9). EASTERN CONFERENCE Central Division

29 72 207 --
12 23 13 6.59 31/2

10 24 14 600 4/2

10 24 14 600 4/2

10 25 25 25 500 81/2

10 25 25 25 500 81/2

10 25 27 14 51/2

WESTERN CONFERENCE

Midwest Division

W L Pct. GB

27 11 711 --
22 17 575 5

12 21 7 575 5

12 21 7 575 5

12 21 7 575 5

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12 21 7 575 5

12 21 7 575 5

12 21 7 575 5

12 22 27 575 5

13 22 462 59/2

14 22 467 11

17 28 282 169/2

U.S. College Results

Fordhom 81, Army 65 La Salle 101, Iona 83 Forthorn 31, Army ec
La Salle 101, Iona 23
Marist 85, St. Francis, Pa. 64
Penn 91, 72, Dusueste 69
Rhade Island 84, George Washington
51, Joseph's, Pa. 23, Rutgers 45
Tennele 87, St. Bonoventure 66
SOUTH
New Orleans 85, SW Lauistana 64
N.C. Charlotte 81, Old Dominion 45
South Floriatis 51, Jocksandile 55
S. Alessington 95, Louisville 92
Water Ferest 81, North Carolina 80
MIDWEST
Akren 75, Kenyan 33
Bradsey 96, West Virginia 45
Cincinnoil 98, Oral Roberts 77
Cleveland 51, 90, Ill-Chicago 73
Creighton 87, 3, Illinois 22
Indiana 51, 44, Druke 78
Michigan 74, Illinois 64
SOUTHWEST
Corner 57, Arkansas 51, 53

THURSDAY'S RESULTS
New York 21 28 28 18—99
Winsblagster 29 22 21 22—194
Kine 13-22 7-10 33, M.Anciene 12-23 6-8 30;
Jockson 7-16 7-4 18, Conferright 7-10 3-4 17,
Rabbonatis: New York 50 (Corteright 9);
Washington 63 (M.Maione 17), Assists; New
York 24 (Jackson 17); Washinston 26 (Bogoes

23 28 28 28—189 FAX was... FAX was... 28 28 28 28—189 Arizona 91, Arizona 51, 57 Boise 51, 71, Nevado-Rano 57 FAX was... 77, Oregon 74 107. Cleveland 25 28 28 29—109
filosofan 28 39 20 21— 55
Coupherty 7-10 44 18, Price 4-12 23 17;
Column 9-24 5-10 23, Floyd 5-7 33 13, ReBeander Cleveland 68 (Corbin 12); Houston 55
[McCroy 14], Against: Cleveland 20 (Price 6);
Corbin 12 1 (1998) Uklawen 9.24 5-10 23, Floryd 5-17 2-3 12, ReOklierenia: Cleveland 68 (Corbin 12); Houston 55

(McCroy 14), Assists: Cleveland 20 (Price 61);
Houston 11 (Leavell 5).

Millwenia: 22 22 35-112

Deriver 21 32, Committee 10-12-3-23;
Transey 6-12 19-11 22, Cummittee 10-12-3-23;
Who 3-14 5-5 21, Rebeards: Milwaukse 47

Wyoming 57, San Diego St. 54

Hockey

17 31 5 39 193 243 14 28 7 39 175 195 NHL Standings THURSDAY'S RESULTS WALES CONFERENCE Potrick Division
W L T Pts GF GA Burridge (19), Lintamon (17), Couringil (25), Stants on good; Guebec (on Lempilo) 5-5-9-19; Boston (on Gosselin) 9-16-8-33.
N.Y. Rengers 1 4 8-5
Philodelphia 25 19 6 56 172 177 22 20 5 51 185 172 22 22 6 50 171 159 22 24 5 49 175 191 29 23 9 47 202 210 Mullen (7)), Kisle (16), Dianne (20), Dot

(17), Sandstrom (14); Eklund (9), Propp (18). Shots on gool; New York (on Hextoff, LoFor-est) 4-153—22; Philodelphia (on Vanbles-

22 29 8 54 170 191 brouck) 20-9-8-37.

21 21 7 49 159 156 Pilisborgh 3 8 8-3 21 24 3 45 173 180 New Jersey 3 2 3 -6 21 24 3 45 173 180 New Jersey 3 2 3 -6 21 24 25 25 25 26 21 173 lock of the life o

Barren agree a saar arige of the territories

World Cup Skiing

l. Peter Outr, Wess Germany, 2:00.26 j. Oonlei Mohrer, Switzerland, 2:00.06 j. Alfe Skoordol, Norway, 2:00.18 j. Franck Piccard, France, 2:00.25 j. Gerhard Pfortenbichier, Austria, 2:00 j. Amton Steiner, Austria, 2:00.71 j. Martin Bell, Britain 2:00.78 j. Peter Muller, Switzerland, 2:00.81

OVERALL STANDINGS 1. Zurbrissen, 217 points.
2. Alberto Tembo, Holy. 256
2. Alberto Tembo, Holy. 256
3. Gunther Moder, Austria. 97.
4. Marisus Wasmeler, West Ger
5. Huberi Strotz, Austria, 93.
4. Michael Mair, Holy, 74.
7. Piccord. 72.
8. Machaer. 67.

BASEBALL BOSTON—Agreed to ferms with Solke Owen, shortslop: Brody Anderson, ortified-er: Pat Dodson, first boseman; Dan Gabriele, pitcher, and Randy Kurcher, infletder. CLEVELAND—Nomed Paul Olden radio

National Langue
LOS ANGELES—Agreed to terms with
Alka Marchall, outfielder, and Kan Howell
pitcher, on one-ver confracts.
PHILADELPHIA—Signed Jeff Sions. out-

Heider, to a one-year contract. SAN FRANCISCO—Sent Roger Moson, pitcher, outright to Phoenix, Pacific Coost BASKETBALL

National Heckey Laagus LOS ANGELES—Recoiled Ken Baum-portner, defensemen, from New Haven,

defensemen, to Musiceson, IHL.
TORONTO—Called up Mike Biolsdeil, richt
wing, and Ted Fouss, defensemen, Iront Newmorket, AHL.
WINNIPEG—Sent Stave Penney, goolle, to

(At Schlotzeng, Austria)
1. Pirmin Zurbriggen, Switzerland, 1 mis
59.28 seconds
2. Franz Heinzer, Switzerland, 2:00.01
3. Peter Durr, West Germany, 2:00.82

Transition •

annuncer.
MILWAUKEE—Signed Bill Schroeder, calcher, Ernesi Riles and Joey Mever, infleiders; Lavell Freeman and Darryel Waltersoutfleiders; and Dan Marphy, Dave Stapleton

POOTBALL National Football League
KANSAS CITY—Fired Les Miller, college
scouling director. Named Whiley Dovell college scouting director. George Selcik attensive coordinator and Tom Bettly detensive backfield coeth. N.Y. GIANTS—Fired Pat Hadgeon, receiv-ers coach. Named Tom Caughtin receivers

opriner, defensemen, from the American Hackty League, Lessey League, Lessey Lessey League, Lessey League, Lessey League, Leagu right wing, from Montreal for the right to writch first-round draff bicks with Rongers in 1989 entry draft. Sent Ron Duguay, right wing, to Colorado, International Hockey Laggue, PITTSBURGH—Sent Todd Charleswurth.

stand there, act properly and just nod our heads," said Frank Mencion, AHL. King, 51, oil man, chemical engineer and organizing committee charman. "The moment we heard, we all leapt, hugging and kissing each other. It was quite an emotional moment." OLYMPIC U.S. OLYMPIC COMMITTEE—Named Able Grossield cooch of men's symnostics team for the 1988 Olympics in Seaul.

Compiled by Our Staff From Dispatches GREENSBORO, North Carolina - David Carlyle scored 18 of his 21 points in the last 20 minutes of an Atlantic Coast Conference game Thursday night as Wake Forest beat the No. 3-ranked U.S. college bas-

No. 3 Carolina Falls

ketball team, North Carolina, 83-80.

12-2 run, covering more than three minutes, gave Wake Forest a 73-71 edge.

After North Carolina's Ranzino Smith tied the

throws and a short jumper by teammate Todd Sanders gave Wake Forest a lead it never relinquished. Sam ivy's two free throws with three seconds left ensured

score at 77 with a three-point basket, Carlyle's two free

Forest, which ended a 12-game losing streak against North Carolina and raised its record to 7-9 overall, 2-4 in the ACC. Smith and J.R. Reid each got 19 points for North Carolina, 14-3 and 3-2. (AP, UPI) Return Spinsals/The Associated Press No. 8 Michigan's Glen Rice slammed the point home during a 76-64 defeat of No. 13 Illinois.

Games Help Calgary End Hard Times

the effects of new government policies designed to redistribute taxes from the oil industry, spreading them more evenly across the country, were beginning to take hold. Around the same time, world grain markets became saturated with surplus. In short order, Calgary found its economic legs kicked out from under it. CALGARY, Alberta -- The times were heady here, back at the dawn of the decade. Oil prices were up. Agricultural markets were strong. Unemployment was virtually nonexistent. New, glassy buildings were creating a skyline. So many people were moving here that city leaders were discouraging others from coming. Within three years, unemployment soared to 15 percent, occupancy rates fell by 20 percent, and the value of new construction dropped more than 80 percent. All over the city, skepticism time economics, the International Olympic Committee awarded Calgary the Winter Games of 1988. To those who had cam-

increased over Calgary's ability to proceed as a host for the Games. The memory of Canada's last Olympic experience lin-gered: The 1976 Summer Games in Montreal ended up with paigned for two years to win the Games, that was irrefutable evidence of Calgary's emergence as a major North American city. enormous cost overnus despite the memorable prediction of that Little did they know that in the months and years ahead, the city's mayor, Jean Drapeau, who had said, "The Montreal Olym-pics can no more have a deficit than a man can have a baby." Olympics, which begin Feb. 13, would become far more than an economic bangle. As the area's two largest industries, oil and grain, And here were Calgary organizers, predicting a surplus.

Rather than return the Games to the IOC, they plunged forward, using the various governmental commitments and, suffered through the spasms of changing world markets, the Games held city and economy together. They not only provided thousands of jobs, even though some were temporary, they will leave later, a record \$309 million in television rights from ABC.

"It kept people working, said Klein. "Labor was plentiful.

Materials were cheap, and the Olympics became an economic

force. They gave us half a billion dollars in new construction when nothing else was going on."

By 1986, the projects and optimism were far enough along to withstand even the drastic worldwide drop in oil prices. "By then," King said, "we were mentally tough. We had been

through it before and survived. We could survive again."

for public use \$400 million in new and improved sports facilities The final results of crossed fingers and perseverance are evident - from downtown, with its new Olympic Plaza, the nightly staging area for medal presentations, to the impressive Alpine and Nordic skiing centers an hour away. In between are the new Olympic Saddledome, to be used for hockey and figure skating; the Olympic Oval, the world's first enclosed arena for speed skating, and Canada Olympic Park, a large complex 15 minutes didn't solve all our problems, but they sure were a nice stopgap."

The Olympics have been on the minds of Calgarians for more west of downtown for ski jumping, bobsled and huge events. A festive air about town is unmistakable and unavoidable. than 20 years. The city, Canada's sixth largest, lost a bid to Innsbruck, Austria, for the 1964 Games; to Grenoble, France, for Colorful banners bearing the Olympic rings and sports logos are so popular they already are being stolen. The Olympic pin

business is thriving. Sun Ice, a local garment company that began 10 years ago in a garage, expects to make \$7 million this year alone in sales of Olympic-marked clothing. With opening ceremonies so close, some skepticism remains, fueled by a recent ticket scandal, organizational spats, the possibility of 100 much warm weather and taxpayers' lingering fear that somehow they will be stuck with part of the tab. The ticket scandal was arrested, literally. The spats have been relatively inconsequential. More than enough snow has been

rplus to approach \$29 million. By now, it is almost as if the feelings of the past have returned, Ouotable although Klein makes no bones about what most concerns him. "During the boom years we were telling people not to come bere," he said. "That was a mistake. We should have gone out of our way to accommodate for a rainy day. We didn't, and it ity - surly, obnoxious and arrogant."

ing the last three Winter Games combined, organizers expect a

SCHLADMING, Austria (AP) — Pirmin Zurbriggen of Switzerland conquered a dangerous downhill course Friday to win his second World Cup race this

meters. Teammate Franz Heinzer was second, in 2:00.01, with Peter Durr of West Germany a surprising third in 2:00.02.

SCOTTSDALE, Arizona (NYT) - Davis Love 3d.

For the Record

Lou Name, 46, general manager of the NHL Minnesota North Stars, resigned, saying he feared the pressure of the job would ruin his health. (AP) Calvin Natt, the NBA Denver Nuggets' forward,

gize to his wife and teammates. The World Lage Championships, to be held this weekend near Montreux, Switzerland, were post-

Troup of Florida

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zt 690

IHT 2/88

POSTCARD

Culture in the Amazon

By Samuel Abt International Herald Tribune

MANAUS, Brazil — Because the rubber tree defied cultivation and had to be tapped where it was found in the malarial jungle, the worker's life was close to slavery during the Amazon's 19th-century rubber boom. But in Manaus, the great port for Amazon rubber, fortunes were easily made, spent and remade.

English, French and German merchants built mansions huge enough to serve now as government ministries. The cost of living in Manaus was proudly reckoned to be several times higher than in New York, pushed upward by the Europeans' habit of sending their laundry home to London and Paris. Brazilian river water, they ex-plained, yellowed the colonials white suits and dresses.

No one could imagine that in 1876 seeds of the rubber tree would be smuggled out of the Amazon. Planted in England, they produced seedlings that were sent to Malaya, Ceylon and Java, where the rubber tree could be grown scientifically for the first time. Within decades, Brazilian rubber was priced out of the world market.

The slow-motion port and the stained, weatherworn stucco of modern Manaus were inconceivable late in the 19th century. That was a time for grand gestures: The Customs House was ordered from England, shipped across the Atlantic in blocks and assembled on the city's waterfront in 1906. The municipal market is an art nouveau classic, the floating dock to service liners was a marvel of its time.

Los Angeles Museum Gets Netsuke Collection

United Press International LOS ANGELES — One of the because of the uncertainty over re-world's most acclaimed collections pairs, no contract can be signed yet. of Japanese netsuke, valued at more than \$1 million, has been ac-small for so vast a building. Small quired by the Los Angeles County Museum of Art. Raymond Bushell, owner of the collection, said he also would donate a collection of Japanese sword furnishings, pipe cases

and medicine chests. The two collections accelerate the museum's goal of establishing a world-class Japanese art collection. The netsuke collection consists of awaits the next boom, perhaps in 141 pieces from the 18th and 19th Amazon gold. In Manaus, the jun-

Such a city demanded culture, of course. In San Sebastian Square, facing the Monument to the Open-ing of the Ports, arose the Teatro Amazonas, Manaus's opera house. Marble staircases were sent from Italy, chandeliers from Venice, paving stones from Portugal and ironwork from France. Alsace filled an order for the 40,000 blue, green and gold ceramic tiles that covered the building's cupola. They boasted in Manaus that the opera house in Paris was the model for theirs, and no grander.

When it was completed in 1896 after 15 years' work, the neoclassic building and its grounds covered a city block. The cost was put at \$2 million, a lordly sum but judged to be worth it for a building so unexpected. Jenny Lind sang there and the Comédie Française was persuaded to send a troupe. Molière in the jungle! In recent years Margot Fonteyn danced there once and evenings of folkloric music were

NOW the Teatro Amazonas is being restored for the second time since 1974, when it was air conditioned. The building is encased in scaffolding but open to tourists, who must dodge workers spraying chemicals to counter termites. Seasonally heavy rains are reported to have weakened the walls, some wiring is suspect and a thorough paint job is needed because of the sun's bleaching. The second restoration began last year and is scheduled to be completed in February 1989. Funding has slowed, despite government promises to provide an initial \$3 million of the \$6.3 million

Officials talk of eventually reopening the theater in style by booking an international opera or ballet company. The Bolshoi has been mentioned prominently but,

The theater itself is unexpectedly but high, the hall should have superb acoustics. In the style of the period, marble columns bear medallions listing the names of European composers and playwrights. It is only a myth, a guide insisted, that no opera had ever been performed there, a bittersweet myth as Manaus, now a city of one million, gles are said to be full of gold.

Max von Sydow's Taxing Times

SAYING he has "no hard feel-ings" about a tax case that took 14 years to settle, Max von Sydow is back at Stockholm's Royal Dramatic Theater, doing

After a string of Hollywood successes, including the title role in "The Exorcist" and the part of the assassin in "Three Days of the Condor," von Sydow is resuming the stage acting career that he left in 1974 in the midst of an angry battle with the tax authorities.

"Of course, in the beginning was very paranoid," he said in a telephone interview from Stockholm. "but after a few years I kind of shook it off."

Unlike Ingmar Bergman, who also left Sweden for a while over a tax dispute, von Sydow said he never considered himself an exile. "I got a chance to work in Italy, and I happened to be very fond of Rome. There were no good offers in Sweden, so I left. He later moved to Hollywood, and now

But he has kept a country home in Sweden. "I'm sure I'll end up here eventually," he said.

He said he found his tax dispute "boring complicated and frustrating. I have a very bad memory, I'm very bad with fig-ures and I can't think legal terms. I just can't understand that language. It bothered me too much and distracted me from my work so I handed it over to my legal people and let them handle it."

Von Sydow is rehearsing for his leading part in an early Strindberg play called "Mäster Olof" which will open at the Royal Dramatic Theater Feb. 27. It's the first time he has been on the stage since appearing in Tom Kempinski's "Duet for One" in New York six years ago. He also appeared in the movie version of that play, released last year, with Julie Andrews and Alan Bates.

Von Sydow's battle with the authorities in one of the world's most heavily taxed countries began in 1973, when they charged him a supplementary levy of 120,339 crowns for allegedly underpaying his taxes. He paid it, he said, "because I knew that if I won my case, I would get it back, and I was sure I would get it back.

But it took me a very long time."

as a skattetillägg, is still imposed in the event of nonpayment or



Actor von Sydow: Moving back to center stage in Stockhohn.

thorities were, in effect, finding him guilty of a criminal charge and punishing him without a full and fair hearing. On grounds that the failure of the government to grant him a hearing was a violation of his human rights, his lawyers took the case to the European Human Rights Commission in 1985. Before it could come to judgment before the European Court of Human Rights, the Swedish government backed

and 120,000 crowns in costs. "The reason was obvious, I think," said von Sydow. He said he was happy at the outcome, not because of the money but "because I wanted to get some kind of recognition."

down and paid von Sydow

200,000 crowns in compensation

A spokesman for the Swedish finance ministry in Stockholm said a special assessment, known Von Sydow claimed the au- underpayment of tax. But he add-

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with diploma, American

ed that, partly as a result of the von Sydow case, disgruntled citizens now have the possibility of appealing in a face-to-face meet-

ing with a tax inspector.

"It is much better if you have someone to whom you can talk personally, even if it's somebody you really dislike," von Sydow said. "In the United States you can make deals with these people. You can talk to them directly." Ingmar Bergman left Sweden

in 1976, saying he would never work there again after two policemen interrupted a rehearsal and took him away for questioning about his taxes. Bergman returned a couple of years later, however, after the charges against him were withdrawn. In another celebrated case of the period, As-trid Lindgren, an author of children's books, lampooned the government after it made her pay 102 percent of her earnings in taxes in

"Those two cases changed the

government in Sweden for some time," von Sydow said. However, asked if he thought the tax climate had improved, he said, "not really."

Bergman discovered von Sydow in the 1950s when he was an actor in the municipal theater at Malmo, and later featured him in many of his films, including "Wild Strawberries," "The Magi-cian," "The Virgin Spring," and "The Passion of Anna."

Von Sydow said he's happy to be back on the stage after his digression to Hollywood. "The stage is more rewarding because you know what is going on. The part is yours. You are there. No one comes in afterwards and edits you. And also of course you have the direct contact with the audi-

Von Sydow has no immediate plans to appear in any more movies. He recently finished directing his own film in Denmark, called 'Katinka," based on a novel by a Danish anthor, Herman Bang

"Mäster Olof," written when Strindberg was 23, is a historical drama on the theme of the 16th century Lutheran reformation in Sweden. It is being directed by Lennart Hjulstrom, who has worked mostly in Gothenberg.

"It's kind of Brechtian," von Sydow said. "It deals with conflicting ideas between the man who wants to reform the religion in his country and another man, a revolutionary, who wants not just to change religion but the entire society. That's the part I'm playing, a printer. In those days, they were the new media people and very controversial."

Von Sydow said he's also enjoyed catching up with several old colleagues, including his co-star in "Mäster Olof," Margarita Krook, a contemporary at the

acting academy.
"This is my theater home," he said. "This is where I started, because the acting academy in those days belonged to this theater. It doesn't any more, since it has become divorced from the theater and has become a state academy somewhere else in town, which I think is bad. In the old days, we belonged to the theater and were part of it, and much of what I think I've learned from the theater I got just by watching the rehearsals when the big elephants were dancing on the stage.

PEOPLE Concert for Children

Harry Belafonte says he'll join performers from Africa and other parts of the world for a concert in Harare, Zimbabwe, to draw attention to the plight of children in southern Africa. "In order to have a healthy African, Belafonte, a UNICEF goodwill ambassador, said at a news conference in New York. Other performers slated for the "One Love Africa" concert March 5 are Sade, the Blandin March 5 are Sade, the Bhandu Boys, Princess, Manu Dibango, King Sunny Adé, Yousson N'Dour, Miriam Makeba, Hugh Masakéla, Ladysmith Black Mambazo, Orstra Marabenta and Bonga, according to the coordinator of the symposium. The concert will be held as part of a five-day symposium beginning March 1.

string the lawyer Marvin Mitchelson, contending that he failed to pay \$1.1 million he owes for a bib necklace and a sapphire pendant with diamonds. Mitchelson purchased the jewelry at an auction in Geneva last April, according to the papers filed in Los Angeles. Mitchelson said the dispute centers on his desire to pay for the necklaces in U.S. dollars rather than Swiss francs. "It would save me a couple hundred thousand dollars," he said. Mitchelson had agreed to pay 1.4 million Swiss francs. Sotheby's seeks payment for the necklaces, interest of 10 percent per year for the delinquency, and attorney's fees. . . Meanwhile Mitchelson

The Swiss branch of Sotheby's is

was one of the attorneys for the actress Joan Collins and her former husband, Peter Holm, who met at the bargaining table but failed to reach a settlement that would ward off a Feb. 10 trial. Mitchelson, representing Collins, said the chance of reaching a property settlement "doesn't look good."

Christian Lacroix and Patricia Kennedy were among 22 men and women named the most elegant in the world in 1987 by The Best awards committee, under the patronage of the French Federation of Fashion. The awards were given Friday night before a star-studded crowd at the Musée de la Mode et du Costume in the Palais Galliera in Paris. Other winners included

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Andres Pastrana, a television personality and conservative cardidate for mayor of Bogota, received award Thursday, three days after he was freed from kidnappers working for Colombia's creame cartel Pastrana 33, won the award sponsored by the Spanish national the King of Spain Journalism sponsored by the Spanish nations:
news agency EFE and the government-run Institute for There. A ment-run Institute for Diero-American Cooperation for a report emitted "The Punishment of the Gods" for all of the Punishment of the Gods' for all of the Punishment of the Gods' for all ment-run Institute for There-Amer-Hoyos, whose bullet-riddled body, was found outside Medelin, the solic called cocaine capital of Colembia

Pastrana was kidnapped Ian 18

Cicciolina, the hard-core pomography star elected last year to the Italian Parliament, says she one worked briefly for the Hungarian secret police as a "Mata Han" as ing sex to try to pry secrets from visiting American politician. Itom Staller, who was born in Builagai, and took the "Cicciolina" allow moving to Italy, says in her sthells ography "Confessions," published this week in French, that the missode lasted just a few days and ended with the man's suicide. "That night I cried with suger and shame," she writes in the 175 page book. Cicciolina, who says she day not know the real name of the American politician, lamedied his Earico Coveri and Queen Noor of American politician, launched in Jordan, whose award was accepted autohiography with a party at by Jordan's ambassador. Among Paris nightchub Thursday night.

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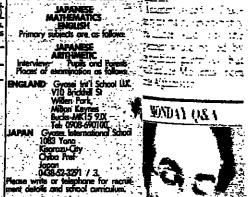
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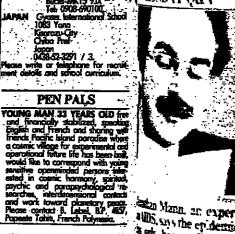
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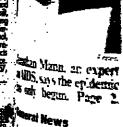
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